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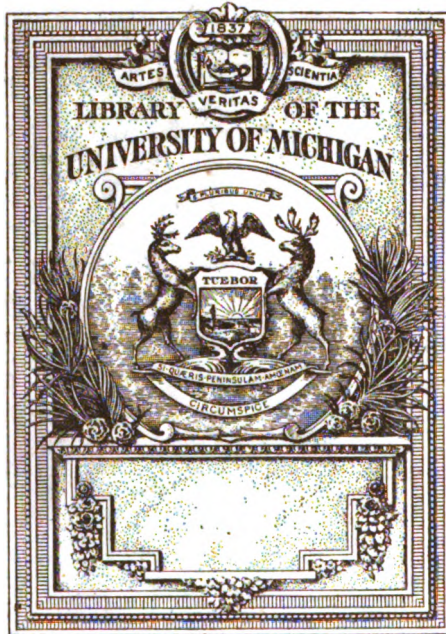
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1911



MODERN ACCOUNTANT

REVISED

BY
Revised
J. A. LYONS
AND
WALTER L. READ

LYONS & CARNAHAN
CHICAGO NEW YORK

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PREFACE TO THE REVISED EDITION

This edition is a complete revision of the old *Modern Accountant*. It is not a revision in the common acceptance of the word, for the text has been entirely rewritten. The material used for the transactions is entirely new and has been brought up to date. But the method of presentation and the general plan of development, which users of the old edition have found so effective, have been retained.

Account study and journalizing are developed together from the start. Journalizing is made clear by an understanding of accounts, and the inter-relation of accounts is more readily appreciated when journalizing is understood. The point of attack is the account, but the early introduction of the journal brings the student quickly to the trial balance. The sales book and cash book are introduced simultaneously, at an early stage. The natural result of this plan of presentation is to greatly shorten the preliminary period during which it will be conceded that the student gets no comprehensive view of book-keeping. The purchase book and the six-column cash book are introduced simultaneously, at a later stage.

Bookkeeping is a problem that is subdivided into many smaller problems. These problems are stated in the form of accounts. The facts from which the problems are formulated are the transactions of business.

The problems of bookkeeping are simple in themselves. Arithmetically they present no difficulties to the student of ordinary intelligence. If bookkeeping heretofore has been considered mysterious and difficult, it has been because the student has not been taught to see the simple underlying problem in each account, but has been confused by the form, and by the necessity for learning rules which he cannot understand.

The method of presentation in *Modern Accountant* is inductive. Each account is first presented as a simple problem, no technical language being used and no rule being given. The solution of this problem is easy and the student discovers the rule for himself, the text carefully guiding him toward a correct solution. The problem itself being understood by the student, he has no difficulty in learning the rule, which is then stated in a formal way.

Some of the forms and minor bookkeeping details have been changed slightly, in the revised edition, to conform to changing usage. Unnecessary ruling between entries in the journal and sales book is omitted, as well as unnecessary closing of personal accounts in the ledger. Trial balances are taken by differences. Provision is made for the use of the two-page statement forms instead of the one-page forms, if desired. Closing the ledger through journal entries, though not advised, is illustrated, and this method of closing can be used, if desired, in the last set.

The work of *Modern Accountant* is elementary. It brings the student up to the point where he is ready for *Wholesale Accounting*, the second part of the *Lyons Accounting Series*. It is believed that it lays a thorough foundation for this and the more advanced texts which follow in the series.

PRELIMINARY PROBLEMS

PROBLEMS TO PRECEDE LESSON I

PROBLEM 1. During January, 19—, C. R. Smith took in \$873.50 in cash. During the same month he paid out \$542.65 in cash. How much cash had he left?

PROBLEM 2. H. G. Brown's cash receipts for February, 19—, were as follows: \$42.56, \$53.75, \$61.38, \$82.43, \$194.79. He paid out in cash during February: \$23.62, \$35.00, \$10.50. How much cash had he left?

PROBLEM 3. E. B. Roberts received \$100.00 in cash on March 1, 19—. On Mar. 2 he paid out \$10.60 in cash; on Mar. 4 he received cash, \$22.89; on Mar. 7 he paid out cash, \$5.75; on Mar. 8 he paid out cash, \$4.00; on Mar. 15 he received \$27.50 in cash; on Mar. 16 he received \$10.00 in cash; on Mar. 20 he paid out cash, \$8.76. How much cash had he left?

PROBLEMS TO PRECEDE LESSON II

PROBLEM 4. J. C. Parks bought goods costing \$4000.00 and sold them for \$4650.00. Did he gain or lose and how much?

PROBLEM 5. During April, 19—, H. E. Darner purchased goods as follows: \$150.00, \$262.50, \$137.85. His sales for April were \$60.00, \$95.00, \$123.46, \$27.85, \$75.60, \$28.95, \$82.93, \$95.67, \$60.24. He had no goods remaining after the last sale. Did he gain or lose, and how much?

PROBLEM 6. A. L. Foreman bought goods during May, 19—, as follows: \$750.62, \$423.95, \$672.43, \$323.50. At the end of the month he had left on hand goods which had cost \$926.50. What was the cost of the goods sold by him during the month?

PROBLEM 7. On June 1, 19—, W. E. Davis had on hand goods which had cost him \$785.60. During the month he made the following purchases: \$123.45, \$345.67, \$252.75, \$500.00. At the end of the month he had on hand goods worth \$1250.65 at cost price. What was the cost of goods sold by Mr. Davis during the month? If his sales during the month were \$1345.60, what was his profit for June?

PROBLEM 8. T. H. Johnson bought goods during May, 19—, amounting to \$7500.00. His sales for May amounted to \$3000.00, and on May 31 he had goods worth \$5600.00 remaining on hand. Did he gain or lose in his dealings in goods during May, and how much?

PROBLEM 9. On June 1, 19—, E. E. Meyer had goods worth \$2000.00. During June he bought goods costing him \$1500.00. His sales for June were \$1800.00 and on June 30 he had goods remaining worth \$2100.00. Did he gain or lose in his dealings in goods during June, and how much?

PROBLEMS TO PRECEDE LESSON III

PROBLEM 10. F. C. Mackey, starting with \$1000.00 in cash on July 1, 19—, bought goods for cash on July 2 costing him \$250.00. On July 3 he sold goods for \$100.00, receiving cash in exchange. On July 6 he bought goods for cash, \$425.00. On July 8 he sold goods for cash, \$150.00. On July 10 he sold goods for cash, \$223.60. On July 31 he sold all goods remaining on hand for cash, \$351.40. What was his profit on goods for July? How much cash did he have on hand July 31?

PROBLEM 11. On August 1, 19—, M. B. Plant had \$2500.00 in cash. On Aug. 2 he invested \$1000.00 of this in merchandise. On Aug. 3 he sold merchandise for cash, \$342.75. On Aug. 5 he bought merchandise for cash, \$123.45. On Aug. 8 he sold merchandise for cash, \$45.00. On Aug. 10 he received \$75.00 in cash for merchandise, and on Aug. 12 he made another cash sale amounting to \$68.50. Cash purchases during the rest of the month amounted to \$642.75, and cash sales were made aggregating \$723.60. On Aug. 31 he had merchandise on hand worth \$800.00. What was his profit on merchandise for August? How much cash did he have on hand on Aug. 31?

PROBLEMS TO PRECEDE LESSONS V AND VI

PROBLEM 12. On Sept. 4, 19—, I received J. G. Jones' note for \$100.00. On Sept. 6 I received D. E. Meyer's note for \$57.50. On Sept. 24 J. G. Jones paid for his note and I gave it back to him. On Sept. 25 I received M. M. Granger's note for \$125.00. On Sept. 26 D. E. Meyers paid me \$25.00 on his note. How much was still due me on other persons' notes at the end of the month?

PROBLEM 13. On Oct. 1, 19—, I had on hand other persons' notes amounting to \$1254.65. On Oct. 2 I received H. J. Gordon's note for \$100.50. On Oct. 7 I received A. V. Weber's note for \$76.29. On Oct. 12 H. J. Gordon made a part payment of \$50.00 on his note, and on Oct. 20 R. L. Marsh paid his note in full, \$100.00. How much was due me on other persons' notes on Oct. 31?

PROBLEM 14. On Nov. 1, 19—, I issued a note payable to A. R. Brockley for \$250.00, on Nov. 10 I signed a note payable to W. S. Rooney for \$500.00, and on Nov. 15 I signed a note in favor of the Yellow Pine Lumber Co. for \$146.74. On Nov. 16 I paid the note in favor of Brockley in full and paid Rooney \$100.00 on his note. At the end of the month how much did I owe others on notes?

PROBLEM 15. On Dec. 1, 19—, there were outstanding against me notes payable by me amounting to \$478.65. During the month I issued notes as follows: Dec. 5, \$125.48; Dec. 10, \$24.97; Dec. 15, \$320.40; Dec. 20, 456.22; and I paid off the following notes: Dec. 12, \$39.46; Dec. 25, \$125.48; Dec. 30, \$24.97. What was the amount of notes outstanding against me on Dec. 31?

MODERN ACCOUNTANT

REVISED

CHAPTER I

ACCOUNTS

Lesson I. The Cash Account

Cash, as the word is used in bookkeeping, is money or the equivalent of money.

In its narrow sense, cash includes only currency and coin, but in practice checks and other orders for money payable instantly upon demand at banks, postoffices, and express offices are treated as cash

Suppose that I have received and paid out cash as shown in the *Illustrative Exercise* below. As each receipt and payment has occurred, I have made a record of it, as shown in the *Illustration*. Trace each receipt and each payment from the *Illustrative Exercise* to the *Illustration*.

ILLUSTRATIVE EXERCISE

191—

- | | | | |
|----------|----------------------------|----------|-----------------------------|
| Sept. 1. | 1. Received cash, \$160.00 | Sept. 7. | 7. Paid out cash, \$142.30 |
| 2. | 2. Paid out cash, \$ 80.45 | 10. | 10. Received cash, \$ 76.20 |
| 4. | 4. Paid out cash, \$ 25.43 | 11. | 11. Paid out cash, \$ 26.10 |
| 5. | 5. Received cash, \$ 40.60 | 16. | 16. Paid out cash, \$ 65.00 |
| 6. | 6. Received cash, \$128.30 | | |

ILLUSTRATION

Cash

191— Sept.		160	Sept.		80.45
5		40.60	4		25.43
6		128.30	7		142.30
10		76.20	11		26.10
			16		65

Explanation. The above form is called an account.

QUESTIONS

- Items of what kind are entered upon the left side of the cash account?
 Items of what kind are entered upon the right side of the cash account?
 How can you tell how much cash you received from Sept. 1 to Sept. 16 inclusive?
 How can you tell how much cash you paid out from Sept. 1 to Sept. 16 inclusive?
 How can you tell how much cash you should have on hand on Sept. 16?
 How much should you have on hand on Sept. 16?
 Which side cannot be the greater? Why?
 What would be the condition if the sides were the same?
 How can you determine whether the cash account is correct?

The facts as to cash receipts and cash payments having been stated in the form of an account, my problem as bookkeeper on Sept. 16 was to find out how much cash should have been on hand. I did this and then prepared the account to show the result secured. This is illustrated below. Study the form and its explanation carefully and answer the questions following.

ILLUSTRATION OF THE CASH ACCOUNT, CLOSED

Dr.		Cash		Cr.	
191-		191-		191-	
Sept 1		160	Sept 2		80 45
5		40 60	4		25 43
6		128 30	7		142 30
10		276 29	11		26 10
			16		65 25
				Balance	65 25
		405 10			405 10
Sept. 16	Balance	✓ 65 82			

Explanation. The above is the same account which was illustrated on the previous page, but it has been *closed with a balance*. The left side is called the *debit side* (abbreviated *Dr.*). The right side is called the *credit side* (abbreviated *Cr.*). The small figure below the lowest item, or last entry, on each side, represents a lead pencil footing. Observe that nothing is written in the cents column when the amount is even dollars.

QUESTIONS

- How was the balance ascertained?
 What entry was then made? Red ink was used because the entry, though appearing on the credit side, does not as a matter of fact represent money paid out.
 Why does the credit footing now exactly equal the debit footing?
 On which side is the balance entered below the ruling? (This is called "bringing the balance down".)
 How much larger was the debit side than the credit side before closing? How much larger is it now? What do you think is the advantage of closing the account?

In order to fix the form of the account in your mind, write the heading *Cash* at the top of a loose sheet of paper ruled like the model (ledger paper) and make the entries required for the illustrative exercise. Note carefully across what columns in the illustration the single horizontal line (the line of addition) is ruled; make the same observations regarding the double line (used for balancing). Be sure to get the year dates in the right places. Be sure that the single vertical red ruling in each money column divides dollars from cents.

Order of Closing an Account with a Balance

1. Add each column. For convenience you may write the totals in the columns, making small, neat lead pencil figures.
2. Find the difference and enter it on the smaller side in red ink, dating the entry properly and writing the word "Balance" in the wide column. Place a check mark in the narrow column between the wide column and the money column.
3. Rule a single line across the debit and credit money columns and add each column. The totals must agree and must be on the same line.
4. Rule a double line across all but the two wide columns, on the first line below the footings.
5. Bring down the balance in black ink on the side opposite that on which it appears in red.

Summary of the Cash Account

Cash is money or its equivalent.

An account* headed *Cash* is kept by the bookkeeper.

Entries. All receipts and payments of cash are entered in the cash account.

Rule. Debit the cash account when cash is received. Credit the cash account when cash is paid out.

Result. The difference between the total of the debit side and the total of the credit side at any time, is the amount of cash which should be on hand at that time. This is called the balance.

NOTE. The cash account is one of several different kinds of account. The same ruled form is used for all, and all are ruled in the same way at the time of closing. The forms shown are known as "skeleton" or incomplete forms. Later you will learn the use of the columns which are not filled out in the skeleton forms. All accounts are kept in the ledger, or book of accounts.

Prepare Exercise 1 on a sheet of ledger ruled paper, or on the back of the sheet on which you copied the illustration of the cash account, and submit it to your teacher for approval. When Exercise 1 has been approved, prepare Exercise 2 on the same page, leaving six blank lines between the two exercises. Write the heading *Cash* again, and one line below it rule a double line across the page, so that it will look like the heading of a new page. See the illustration on page 9 of an account opened below the top of the page. After Exercise 2 has been approved, copy the page containing the two exercises on page 1 of your ledger (Blanks No. I, Book B). In preparing these exercises, enter cash on hand at the beginning on the debit side.

The following transactions contain the facts from which a cash account is to be constructed. Open an account headed *Cash*, and make the entries required. Then close the account as shown in the illustration on page 6.

*The student will have a better understanding of accounts if he will think of each account as a simple problem in arithmetic, in which certain facts are given from which he must determine certain results. The problem of cash, simply stated, is this: If I receive stated sums of money, and pay out stated sums of money, how much money have I remaining? In order to keep a record of the facts and at the same time have them arranged in convenient form for easy solution, they are entered in accounts.

EXERCISE 1

191—

- Jan. 1. I had cash on hand, \$500.00.
 3. I paid cash for insurance, \$57.50.
 3. I paid cash for taxes, \$101.76.
 5. I received cash for a horse which I sold, \$175.00.
 6. I paid a cash fee to a notary, \$1.25.
 7. I paid for merchandise in cash, \$84.63.
 8. I paid Smith & Co.'s bill in cash, \$31.71.
 9. I received cash from Brown & Co., which they owed me, \$42.75.
 10. I paid freight charges on merchandise in cash, \$12.67.
 13. I paid cash for harness, \$43.25.
 14. I received cash due me for interest, \$17.16.
 15. I paid C. E. Burton \$15.00 in cash, a part of what I owed him.
 17. I paid workmen in cash for painting my store, \$65.00.
 19. I donated cash to a charitable association, \$25.00.
 20. I paid the clerk's wages for one week in cash, \$12.50.
 21. I received cash for merchandise sold, \$73.56.
 21. Close the account with a balance Jan. 21, bringing the balance down as of Jan. 22 (That is, date the balance brought down Jan. 22, as it indicates the amount on hand on the morning of that day).

EXERCISE 2

191—

- Feb. 1. Cash on hand, \$103.09.
 1. I paid my store rent for February in cash, \$50.00.
 2. I sold merchandise for cash, \$35.25.
 4. I paid the clerk's wages for one week in cash, \$12.50.
 6. I received F. R. Wheeler's check for an amount due me, \$27.60.
 7. H. W. Roberts gave me his check for what he owed me, \$24.50.
 8. I paid for merchandise by check, \$32.50.
 10. My cash sales of merchandise today amounted to \$18.65.
 11. I paid the clerk's salary in cash, \$12.50.
 11. I paid the scrubwoman \$1.75.
 14. I sold Geo. N. Patten goods worth \$21.65 and received cash from him in payment.
 15. On opening my mail, I found a postal money order for \$15.00 sent by E. N. Harris in payment of my bill against him.
 16. I mailed to the First National Bank my check for \$6.00, due for interest on money borrowed.
 17. I bought merchandise for cash, \$23.78.
 18. I paid the clerk's salary as before.
 19. I received a check for \$40.00 from Harry N. Lawton, who owed me \$75.00.
 20. I paid for postage stamps in cash, \$5.00.
 21. I paid the drayman \$2.30 in cash.

LESSON II

THE MERCHANDISE ACCOUNT

Merchandise is the goods or wares bought and sold for profit in any certain line of business.

In the grocery business, groceries are merchandise. At the butcher shop, meats are merchandise. The coal man deals in coal as his merchandise. The clothier considers suits and overcoats merchandise. A man owning a hardware store might buy groceries, meats, coal, and clothes throughout the year, yet these things would not be merchandise to him. Why?

One of the problems of bookkeeping is to determine the amount of profit or loss in handling merchandise. To determine this, I must first know what the merchandise sold has cost me and what I have sold it for. I keep a record of these matters under the head *Merchandise* in the ledger, entering costs (amounts of purchases) on one side of the account, and entering returns (amounts of sales) on the other.

Trace the following transactions from the *Illustrative Exercise* to the entries in the *Illustration*. In tracing these transactions, you are to consider nothing but *merchandise*. Ask yourself in each case what Mdse. was bought or what Mdse. was sold. (Merchandise is abbreviated "Mdse." It is not customary to abbreviate it as a heading of an account.)

ILLUSTRATIVE EXERCISE

191—

- | | | | | | |
|----------|-----------------|----------|----------|-----------------------|----------|
| Sept. 1. | I bought Mdse., | \$720.00 | Sept. 8. | I sold Mdse., | \$140.00 |
| 2. | I bought Mdse., | 420.00 | 9. | I bought Mdse., | 300.00 |
| 3. | I bought Mdse., | 560.00 | 10. | I sold Mdse., | 750.00 |
| 5. | I sold Mdse., | 480.00 | 15. | I sold all Mdse. then | |
| 6. | I sold Mdse., | 520.00 | | on hand for | 640.00 |

There were no other transactions during September. Find the amount of my loss or gain on Mdse. for September.

ILLUSTRATION

Dr.	Merchandise		Cr.
191—		191—	
Sept. 1	720	Sept. 5	480
2	420	6	520
3	560	8	140
9	300	10	750
	520	15	640
	2530		2530

A bookkeeper sometimes has to write more than one heading on a ledger page. The illustration shows how an account will appear which is opened below the top of the page.

Explanation. The foregoing is an illustration of a merchandise account as it appears when all goods have been sold. The small figures at the bottom of each column of black ink entries represent lead pencil footings. Study the form carefully and answer the following questions:

QUESTIONS

- Entries of what kind are on the debit side?
- Entries of what kind are on the credit side?
- What was the selling price of all goods sold during September?
- What was the cost of all goods sold during September?
- What was the gain, and how was it found? Why?
- What result would have been shown had the debit side been the greater?
- What was the percent of profit; that is, at what percent above cost did the goods sell?

In order to fix the form of the account in your mind, prepare it on a loose sheet of ledger ruled paper. Do not copy from the model, but cover the model and do your work independently.

When this has been done, compare your work with the model as to every detail. Is the result correct and placed in the right place? Is your exercise ruled exactly like the model? Is there a year date at the top of each date column? Are dollars and cents separated by the single vertical red ruling in each money column?

Summary of the Merchandise Account

Merchandise is the goods or wares bought and sold for profit in any given business. A merchandise account* is usually kept in the ledger of a trading business.

Entries. All amounts of Mdse. bought and all amounts of Mdse. sold are entered in the merchandise account.

Rule. Debit the merchandise account when Mdse. is bought (that is, when Mdse. is received or costs value); credit the merchandise account when Mdse. is sold (that is, when Mdse. is disposed of or produces returns).

Result. When all Mdse. is sold, the difference between the debit and credit totals shows a gain, if the credit side be larger; or a loss, if the debit side be larger.

Prepare Exercise 3 on a loose sheet of ledger paper or on the back of the sheet you used for the illustration. Remember that you are considering only the purchases and sales of *Mdse.* Ask yourself in each case whether Mdse. is being *bought* or *sold*.

EXERCISE 3

191—

- March
1. I bought Mdse. for cash, \$1170.60.
 2. I paid \$45.37 in cash for Mdse.
 2. I purchased Mdse. valued at \$12.75.
 5. I sold Mdse. for cash, \$274.25.

*Remember that the Mdse. account is nothing but a problem in arithmetic. Simply stated, the problem is: I made certain purchases of Mdse. and certain sales. When all had been sold, what was my profit or loss?

- March 6. I sold Mdse. to W. J. Burnham on credit, \$157.20.
- 7. I paid \$46.50 for Mdse. by check.
- 9. I bought Mdse. for cash, \$215.46.
- 10. F. H. Waddell gave me his note for Mdse., \$645.00.
- 15. I sold all Mdse. then on hand for cash, \$625.00.

No other transactions took place during March. Find the amount of gain or loss for March.

THE MERCHANDISE INVENTORY

In the foregoing illustration and exercise it was assumed in each case that there was no Mdse. on hand when the account was opened and that all was sold before closing the account. This is seldom the condition. There is usually some Mdse. on hand at the beginning of the period which the account covers and some Mdse. on hand at the close of that period. The Mdse. on hand at any time is called the *Inventory*.

Trace the following transactions from the *Illustrative Exercise* to the *Illustration*.

ILLUSTRATIVE EXERCISE

191—

- Oct. 1. Mdse. inventory on hand, \$1275.00.
- 2. I bought Mdse. of J. V. Farwell & Co. on credit, \$1324.50.
- 3. I sold Mdse. to Harry N. Kirby on account, \$524.75.
- 3. I sold Mdse. to Fred H. Pollard for cash, \$196.50.
- 5. B. F. Dyer bought Mdse., giving me his note for it, \$243.60.
- 6. D. H. Lloyde gave me his check for Mdse., \$245.00.
- 15. I paid cash for Mdse., \$126.50.
- 16. I sold Mdse. to H. B. Boyles on credit, \$405.00.

No further sales were made during the month. On Oct. 31 goods were on hand worth \$1200.00. What was the gain or loss for October?

ILLUSTRATION

<i>Dr.</i>	<i>Merchandise</i>		<i>Cr.</i>
191—		191—	
Oct. 1 Inventory	✓ 1275	Oct. 3	52475
2	132450	3	19650
15	12650	5	24360
<i>Balance</i>	<i>1200</i>	6	245
		16	40500
	281485		✓ 281485
Nov. 1 Inventory	✓ 1200		

Explanation. The above is an illustration of a merchandise account closed with an inventory.

QUESTIONS

- What was the inventory of goods on hand Oct. 1?
 What was the total of goods purchased during October?
 What was the inventory of goods on hand October 31? Where and how was it entered?
 What was the cost of the goods sold during October?
 What was the total of sales during October?
 What was the gain on Mdse. for October?
 What was the per cent of gain, based upon the cost of goods sold?
 Could the amount of gain have been ascertained if the inventory had not been known?

NOTE. The inventory on hand Oct. 1 was not a part of the purchases for the month, nor was the inventory of Oct. 31 a part of the sales for the month. Yet these must be known before the Mdse. gain can be found. The inventory on hand at the first of the month must be added to the purchases, and from the sum the inventory on hand at the last of the month must be deducted, in order to arrive at the true cost of the goods sold. The former is added to the purchases by being placed in the debit column, but as there is no way to show subtraction in bookkeeping, the latter is entered on the opposite or credit side, and this has the same effect as a deduction from the debit side. It is entered in red ink because it is not a sale, though appearing in the sales column.

In bookkeeping, add the Mdse. inventory at the time of closing to the credit side; the difference between the total so secured and the debit total will be a gain or a loss and is entered on the smaller side in red ink. When will it be a gain? When a loss?

The account is then ruled and footed. The inventory is brought down into the debit side, to be added to the cost of Mdse. for the next month.

NOTE. Sometimes it is said that the bookkeeper is to imagine that all goods on hand are sold at inventory price at the end of the month and at once bought back. For several good reasons which you cannot at this time appreciate, this line of reasoning is false. However, you may treat it just as you would treat a sale and subsequent repurchase, so far as making the entries is concerned, and this will make the entries easy to remember.

Summary of the Merchandise Inventory

The gain (or loss) on Mdse. cannot be determined unless it be known how much unsold stock is on hand. The unsold stock is counted and a valuation (cost price or less) placed upon it. The list of quantities, kinds, and values of stock on hand is known as the inventory. The total of the inventory on hand at the beginning of a certain period must be added to the purchases for that period and the inventory at the end of the period deducted in order to find the cost of the goods sold. This deduction is accomplished by a red ink entry on the opposite or credit side.

Prepare Exercise 4 at the bottom of the same sheet on which you wrote Exercise 3, leaving at least six blank lines between the two accounts. Remember that you are considering nothing but purchases and sales of *Mdse.* When both exercises have been approved by your teacher, copy them or write them without copying (as your teacher shall direct) on page 2 of your ledger (Blanks 1, Book B).

EXERCISE 4

191—

- Apr. 1. I bought Mdse. amounting to \$1475.50.
 2. I purchased of C. B. Hawkins Mdse. invoicing at \$585.75.
 4. I sold to Jas. B. King, for cash, Mdse. invoicing at \$45.60.

- Apr. 7. H. M. Adams bought on credit a bill of goods worth \$20.50.
 9. Sold to G. J. Kingsbury, on his note, Mdse. worth \$75.62.
 10. Bought Mdse. billed at \$105.10, giving my check in payment.
 14. Sold Mdse. to H. M. Adams on account, \$241.26.

The stock of goods on hand April 15 was inventoried at \$1996.75 (cost price). Before closing the account answer the following questions:

QUESTIONS

- What was the cost of goods purchased?
 What was the value of goods remaining on hand?
 What was the cost of the goods sold?
 What was the total of sales?
 Was there a gain or loss, and how much?
 What was the percentage of profit or loss, based upon the cost of the goods sold?

Close the account as of April 15, proceeding as follows:

Order of Closing Accounts having Inventories

1. Foot the two sides, making a neat lead pencil footing close beneath the last item in each column.
2. Enter the inventory in red ink. (When it is an inventory of value belonging to the business, as in the foregoing instance, it is entered on the right-hand side.)
3. The difference between the two sides as they now stand is a loss or a gain. Enter it upon the smaller side in red ink with a proper explanation.
4. Rule the single lines of addition opposite each other on the same blue line and foot the two columns. The footings should be equal and just opposite each other.
5. Rule the double line of balancing, across all but the two wide columns.
6. Bring the inventory down in black ink upon the side opposite that on which it appears in red.

Continue the transactions of *Exercise 4—Continued*, on the same account, leaving no blank lines on either side below the rulings.

EXERCISE 4—Continued

191—

- Apr. 17. Bought Mdse. for cash, \$265.35.
 20. Sold Mdse. to B. C. Ordway for cash, \$36.79.
 21. B. F. Andrews bought Mdse. from me on credit, \$40.00.
 22. D. B. Renway & Co. sold me Mdse. on credit, \$75.60.
 24. Geo. H. Gibbs gave me his note for Mdse., \$65.63.
 25. Paid for Mdse. in cash, \$103.26.
 26. Sold B. F. Andrews on credit Mdse. invoicing at \$87.50.

On Apr. 30 the Mdse. inventory (taken at cost) amounted to \$2257.28. Answer the following questions before attempting to close the account:

QUESTIONS

- What was the cost value of goods on hand Apr. 15?
 What was the total of goods purchased between Apr. 15 and Apr. 30?
 What was the cost value of goods on hand Apr. 30?
 What was the cost value of goods sold between Apr. 15 and Apr. 30?
 What was the total of sales between Apr. 15 and Apr. 30?
 What was the amount of gain?
 What was the per cent of gain?
 Under what circumstances would a loss have been shown?

Close the account.

LESSON III

ACCOUNTS WITH CASH AND MERCHANDISE

The one series of transactions following involves two separate accounts, one with cash and one with merchandise. Open an account headed *Cash* with a balance of \$5000.00 on May 1, and open an account with *Merchandise* with an inventory of \$7650.00 on May 1. Then enter the following transactions. Note that both accounts are affected in each transaction. When Mdse. is bought, cash is parted with. When Mdse. is sold or parted with cash is received. Make both the cash entry and the Mdse. entry for one day before proceeding to the next. Give each account a half page.

EXERCISE 5

191—

- May 2. Bought Mdse. for cash, \$256.25.
 3. Sold Mdse. for cash, \$54.60.
 4. Received cash for Mdse., \$45.75.
 7. Paid cash for Mdse., \$110.00.
 8. Sold Mdse. for cash, \$90.00.
 9. Sold for cash Mdse. amounting to \$33.63.
 10. H. C. Updike gave me h's check for Mdse., \$25.00.
 12. Bought Mdse. invoicing at \$57.60, giving my check for it.
 14. Sold Mdse. for cash, \$110.65.

Goods on hand May 15 were valued at \$7884.25.

Close both accounts properly. When they have been approved, copy them (or again work them, if your teacher shall so direct) on page 3 of your ledger (Blanks No. 1, Book B).

Rule for Debiting and Crediting

You have learned that two of the accounts a bookkeeper has to keep are the cash account and the merchandise account; that an account headed *Cash* and an account headed *Merchandise* are opened in the ledger; that transactions involving cash received and cash paid out (or disposed of) are entered in the cash account and transactions involving Mdse. purchased (or received) and Mdse. sold (or disposed of) are entered in the Mdse. account. You have learned that the accounts are similar in form; that each has two sides, a left and a right; that the left side is called the debit side, and that the right side is called the credit side. You have learned that when cash is received the cash account is debited, and that when Mdse. is received the Mdse. account is debited. This is true of all accounts—whenever anything is received, the account of that thing is debited. Similarly, it is always true that whenever anything is disposed of or parted with, the account of that thing is credited. Hence the following rule, which you are now asked to learn:

Debit the account of that which is received; credit the account of that which is disposed of.

REVIEW QUESTIONS

- What is cash?
 How many sides has an account and what are they called?
 What is the cash account and how is it kept?
 What is meant by the "balance" of the cash account and how is it found?
 How is the cash account closed?
 What is Mdse.? Explain why what is Mdse. to one person may not be Mdse. to another.
 What is the merchandise account and how is it kept?
 What is a Mdse. inventory?
 What is done with the inventory in closing?
 What result is shown by the merchandise account?
 Describe the closing of the merchandise account.
 How can you find the cost of the goods sold during any certain period?
 How must the percent of profit be found?
 Can the merchandise account ever show any result but a gain? Explain fully.

SUPPLEMENTARY PROBLEMS**PROBLEMS TO PRECEDE THE INTEREST ACCOUNT, PAGE 30**

PROBLEM 1. On Jan. 1, 19—, I paid Brown \$5.65 for use of money. On Jan. 5, Jones paid me \$6.72 for the use of money. Other receipts and payments for interest during January were: Receipts, \$3.40, \$2.87, \$6.50, \$8.25, \$1.20; payments, \$5.60, \$4.32, \$1.25. Did I lose or gain on interest during January, and how much?

PROBLEM 2. E. T. Miller paid out \$2.67 for interest on Feb. 2, 19—. On Feb. 3 he received \$3.50 from C. G. Holmes for interest. Other receipts for interest: \$5.63, \$2.34, \$1.85. Other payments for interest: \$2.34, \$3.78, \$12.50. Did E. T. Miller lose or gain on interest during February and how much?

PROBLEM 3. During March, 19—, interest accrued on different amounts of money borrowed by me and was paid by me, as follows: \$5.60, \$4.80, \$3.26, \$2.43; interest accrued on sums owing to me, and was paid to me, as follows: \$2.46, \$3.27, \$4.38. Did I lose or gain on interest during March?

PROBLEMS TO PRECEDE LESSON X

PROBLEM 4. On April 2, 19—, R. E. Green bought from me on credit goods worth \$100.00. On April 3 he paid me \$12.50. On April 6 he bought from me on credit goods worth \$56.00. Later he made me the following payments: \$26.70, \$35.00, \$5.00. How much did he still owe me?

PROBLEM 5. Your employer bought goods from Comer & Co. amounting to \$150.00, on May 5, 19—. On May 15 he paid Comer & Co. \$100.00. Later he bought from Comer & Co. bills of goods as follows: \$225.00, \$260.00, \$123.40, and made the following payments: \$200.00, \$300.00, \$50.00, \$25.00. How much did your employer still owe Comer & Co.?

PROBLEM 6. On June 1, 19—, I made the following sales on credit: To L. W. Buller, \$10.55; to G. W. Smith, \$15.75; to H. N. Hardin, \$24.40. Other sales during June were: To L. W. Buller, \$6.42, \$3.65, \$5.73, \$4.87; to G. W. Smith, \$5.60, \$4.22, \$3.34; to H. N. Hardin, \$13.42, \$2.29, \$5.00. Received cash on account from L. W. Buller, \$5.00, \$2.50, \$2.00; from G. W. Smith, \$5.00; from H. N. Hardin, \$5.60, \$4.82. How much did each owe me on June 20? How much did they all owe me?

CHAPTER II
JOURNALIZING

LESSON IV

THE JOURNAL. THE REAL ESTATE ACCOUNT

Examine the following transactions and see if you can tell what took place in each case. Then determine what it is that takes place whenever any transaction occurs.

191—

Sept. 1. I bought Mdse. for cash.

What thing was received or cost value? What thing did it cost? What thing was disposed of or produced returns? What thing did it produce?

Sept. 2. I sold Mdse. for cash.

What was received or cost value? What did it cost? What was disposed of or produced returns? What did it produce?

Sept. 3. I bought a store building (Real Estate) for cash.

What was received or cost value? What did it cost? What was disposed of or produced returns? What did it produce?

Sept. 4. I exchanged the store building for a stock of Mdse.

What was received or cost value? What did it cost? What was disposed of or produced returns? What did it produce?

Being engaged in the furniture business, I recorded all the transactions of my business in the order in which they occurred, in such a way that the *form* of the entries would show what was received (or cost value) in each case, and what was disposed of (or produced returns). Trace the following transactions from the *Illustrative Exercise* to the *Illustration* and see for yourself how this is done.

ILLUSTRATIVE EXERCISE

191—

Sept. 1. I bought for cash 5 oak dining tables, at \$20.50, \$102.50.

2. I sold for cash 2 oak dining tables, at \$33.00, \$66.00.

3. I bought for cash 36 Mission oak dining chairs, at \$4.00, \$144.00.

4. I bought a store building and lot for cash, \$9500.00.

5. I sold for cash, 6 Mission oak dining chairs, at \$6.75, \$40.50.

Explanation. The form shown is a part of the journal. This form of journal is sometimes called the "explanatory journal" to distinguish it from the old-fashioned journal, which did not contain the explanatory matter. The old way was to write the history of the transactions, without journalizing them, in a "day book." This was done as the

transactions occurred. Later each transaction was journalized, without explanation, in a separate book which might be called a non-explanatory or skeleton journal. The modern practice of combining both books in an explanatory journal is certainly more economical of time and space.

ILLUSTRATION

		Dr.	Cr.
DATE <i>September 1, 191-</i>			
NAME OF ACCOUNT TO BE DEBITED	NAME OF ACCOUNT TO BE CREDITED	AMOUNT DEBITED	AMOUNT CREDITED
<i>Mdse.</i>	<i>Cash</i>	102.50	102.50
FULL AND COMPLETE EXPLANATION - ALL KNOWN FACTS OF IMPORTANCE			
	<i>Bought for cash 5 oak dining tables at 20.⁰⁰</i>		
	<i>2</i>		
<i>Cash</i>	<i>Mdse.</i>	66	66
	<i>Sold for cash 2 oak dining tables at \$33.⁰⁰</i>		
	<i>3</i>		
<i>Mdse.</i>	<i>Cash</i>	144	144
	<i>Bought for cash 36 Mission oak dining chairs, at 4.⁰⁰</i>		
	<i>4</i>		
<i>Real Estate</i>	<i>Cash</i>	9500	9500
	<i>Bought a store building plot for cash</i>		
	<i>5</i>		
<i>Cash</i>	<i>Mdse.</i>	40.50	40.50
	<i>Sold for cash 6 Mission oak dining chairs, at 6.⁷⁵</i>		

QUESTIONS: (To assist you in studying the above form.)

- What is the meaning of the abbreviation above the left-hand money column?
- What is the meaning of the abbreviation above the right-hand money column?
- Where is the year date written?
- Where is the date of each transaction written?
- Where is the name of the thing received (or which cost value) written in each case?
- On what line and in which column is the amount of the thing received (or which cost value) written in each case?
- Where is the name of the thing disposed of (or which produced a return) written in each case?
- On what line and in which column is the amount of the thing disposed of (or which produced a return) written in each case?
- Where is the explanation of what took place written in each case?

By inspecting the form shown, you will see that a journal entry consists of six parts, as follows: (1) The date. The date is written above each entry. At the top of each page the name of the month and the year date must appear, but the day of the month alone is sufficient above the other entries, except when a new month is begun. (2) The name of the account to be debited. (3) The amount of the debit item. (4) The name of the account to be credited. (5) The amount of the credit item. (6) A full and complete explanation of the transaction, from which no essential detail nor any fact that may be valuable for reference should be omitted.

Each part must be exactly in its proper position as shown by the model form. For uniformity of appearance, the date should be squarely in the center of the blank lines. Note carefully the indentation of the name of the account to be credited, and the indentation of the first line of the explanation. The amount of the debit item must be on the same line as the name of the account to be debited, and in the left-hand money column. The amount of the credit item must be on the same line as the name of the account to be credited, and in the right-hand money column. The explanation should always be worded as from the standpoint of the business; thus when money is received from Smith we would say "Rec'd from Smith" not "Smith paid," etc.

THE REAL ESTATE ACCOUNT

Among the things shown as received (or costing value) in the illustration of the journal, is real estate. You will naturally infer that it is desirable to keep records of real estate received (or which costs) and disposed of (or which produces returns), and that one of the problems of bookkeeping is to determine the gain or loss on real estate. An account is opened in the ledger under the head *Real Estate*, which is kept exactly like the *Mdse.* account. No special description or illustration of this account is necessary.

Entries. Amounts of all purchases and sales of real estate are entered in the real estate account.

Rule. Debit the real estate account when real estate is received (or costs value). Credit the real estate account when real estate is disposed of (or produces returns).

Result. When all real estate is disposed of, the difference between the debit and credit totals is a gain if the credit side be the larger. If the debit side be larger, a loss is shown.

Inventory. Real estate on hand at the time of closing the account* is always a credit inventory, as in the merchandise account, and is handled in exactly the same way.

Closing. Close the account, for the present, precisely as you have learned to close the merchandise account.

*Since the value of real estate is usually arrived at by deducting a certain per cent of its original value, for depreciation, it is sometimes contended that the inventory is the real *result* of the account, and that the loss or gain can be considered the result only when real estate is being traded in for profit. Two facts are certain, however:—(1) The real estate account does have an inventory, and (2) The real estate account does show a loss or gain (usually a loss, when it is an investment account and not a trading account). These two facts being true, some ground is furnished for either view of the case. It matters not, however, whether the inventory be considered the result, or the loss be considered the result, when the simple form above described is used, as the process of closing is the same in either case. It is easier for the student at this point to follow the line of reasoning suggested above in the text.

Summary of Journalising

Business consists in the trading, or exchanging between the trading parties, of things having value. A business transaction consists of the equal exchange of things having value; one thing is received (or costs value), and some other thing is disposed of (or produces returns).

Separate accounts are kept in the ledger with things having value in which the business deals. Whenever any business transaction takes place, the account of the thing received (or which costs value) is debited, and the account of the thing disposed of (or which produces returns) is credited. These accounts in the ledger are not debited and credited *directly*, but a statement of the debits and credits arising in each transaction is made in the journal. You understand the cash, merchandise, and real estate accounts.

One entry is made in the journal for each transaction, and the transactions are entered in the journal at the time of their occurrence and in the order of their occurrence. Each entry in the journal shows what account is to be debited and how much, and what account is to be credited and how much. The journal must use the exact titles of the accounts to be debited and credited. It follows that in order to journalize correctly the bookkeeper must know what accounts are kept in the ledger and the rules for debiting and crediting each. These facts being known, all that is necessary is to determine in each case what is being received (or what costs value) and what is being disposed of (or what produces returns) and to note this information in the journal in proper form.

Journalize the following transactions taken from the furniture business. Your explanations should be full and complete. Be very careful in your writing. Make plain, neat, compact letters and be sure that your figures are clean-cut and easily read, and placed squarely in the column in which they should be. Be sure that dollars and cents in each column are separated by the single vertical red line. Avoid blots by being sure that your pen isn't too full of ink. Keep your hands clean and avoid soiling the page. Your writing should not be ornamental or shaded, but plain and business-like.

EXERCISE 6

191—

June 1. Bought from the Acme Furniture Co., for cash, 2 doz. elm kitchen chairs at \$14.70, \$29.40.

Since this is the furniture business, chairs, tables, beds, and other furniture bought and sold for profit must be considered Mdse. Mdse. was received; it cost value (that is, it cost you the cash paid out for it). Cash was disposed of; it produced returns (that is, the cash parted with produced in return the Mdse. received).

June 2. Bought from the Balkwill & Patch Furniture Co., for cash, 1 doz. cane seat oak dining chairs, \$27.00; 7 oak dining chairs at \$2.70 each, \$18.90; total \$45.90.

June 3. Sold to W. G. Black for cash, 3 elm kitchen chairs, at \$2.25, \$6.75; 3 oak dining chairs, at \$4.50, \$13.50; total, \$20.25.

What was received, or cost value? What was disposed of, or produced returns?

June 3. I sold to D. C. Gibbs, for cash, 6 cane seat oak dining chairs, at \$3.50, \$21.00.

June 4. Bought from Yawman & Erbe for cash, for office use, one sectional filing case, four sections and base, \$37.50. (See the note at the top of page 20.)

The thing received was not Mdse. Why? You will have to consider this furniture. The *furniture & fixtures* account is handled exactly like the merchandise account with which you are familiar. Assuming that you are keeping an account with furniture and fixtures, make the proper journal entry, using the abbreviation *Furn. & Fix.* in the journal entry.

June 6. I bought from the Detroit Furniture Co., 15 weathered oak dining chairs, at \$3.70 each, \$55.50; 18 leather seat oak dining chairs, at \$7 50 each, \$135.00; total, \$190.50. Paid them by check.

June 7. I received a letter from F. J. Lane ordering 6 leather seat oak dining chairs, at \$11.25 each, and inclosing a postal money order for \$67.50 in payment.

If you cannot get all of the entry for the following transaction in the space remaining on page 1, turn the page at once; do not divide the entry. Write the full date, *June 9, 191—*, at the top of page 2.

June 9. I sold to W. F. Fuller for cash 4 cane seat oak dining chairs, at \$3.50 each, \$14.00; and 3 elm kitchen chairs, at \$2.25 each, \$6.75; total, \$20.75.

June 11. I bought from Jas. S. Spiegel & Sons 3 green fibre rush settees, at \$16.00 each, \$48.00; 2 kitchen cabinets, oak front, at \$36.00, \$72.00; total, \$120.00. I paid them by check.

June 13. I sold to F. J. Lane, for cash, 1 green fibre rush settee, \$24.75.

June 14. I bought from the Tobey Furniture Co., for cash, 1 revolving stool, birch, for office use, \$7 50.

This was not Mdse. Why? What was it?

June 15. I bought a building and lot at 6914 Indiana Ave., the building being for use as a storehouse, and paid for it by check, \$4590.00.

June 16. I sold to W. F. Fuller 1 kitchen cabinet, oak front, \$47.50, and 1 green fibre rush settee, \$24.75, receiving his check for \$72.25 in payment.

June 17. I bought from Ford & Johnson 12 all iron bedsteads, at \$4.80 each, \$57.60; 6 cotton mattresses, at \$3.00 each, \$18.00. Total, \$75.60. Gave them my check in payment.

June 22. F. J. Lane returned to me 1 green fibre rush settee for which he had paid me \$24.75 in cash. I gave him his money back.

June 23. I sold to W. G. Black for cash 1 white wood kitchen table, \$10.75; 1 extension dining table, oak, \$37 50; 1 Mission china closet, quartered oak, \$56.50. Total, \$104.75.

June 24. John Smulski, a carpenter, built an addition to my storage building (Real Estate). He furnished all materials and labor, and submitted a bill for \$150.00, which I settled by delivering to him furniture as follows: 1 brass trimmed bedstead, \$15.00; 1 Turkish spring box mattress, \$37.50; 1 extension dining table, oak, \$47.50; 6 oak dining chairs, at \$4.50, \$27.00; 1 green fibre rush settee, \$23.00

Had the above work been for repairs, it would not have been proper to debit Real Estate.

June 24. I sold for cash 1 all iron bedstead, \$6.75; 1 Royal cotton mattress, \$4.50. Total, \$11.25.

June 26. I bought for office use, giving my check in payment, 1 oak desk, \$36.00.

June 28. I sold to F. J. Lane 1 quartered oak veneered dresser, \$39.75. He delivered to me in payment a United States Express money order for \$39.75 properly endorsed.

When your work has been approved, copy it carefully in your journal (or rework it, as your teacher shall direct). The journal is Book A of Blanks No. 1. The exercise will require three pages of the journal.

LESSON V

PROMISSORY NOTES

Below is shown a printed business form which has been filled out in writing. Read every word of it, both printed and written. Then answer the questions which follow:

FORM OF A PROMISSORY NOTE

\$200.⁰⁰ Chicago, Ill., Sept. 2, 1911
 Ninety days after date I promise to pay to
 the order of Samuel Stewart
 Two Hundred ⁰⁰/₁₀₀ Dollars
 payable at Union Trust Co.
 Value received with interest at 6% per annum.
 No. _____ Due _____ Geo. R. Davis

QUESTIONS

Who promises to pay?

When did he make the promise, and where was he when he made it?

To whom did he make the promise?

How much did he promise to pay?

When is the money due? How is this date determined?

Where does the promisor agree to meet the promisee to pay it?

May Davis give Stewart Mdse. worth \$200.00 instead of the money?

To whom is the above a note for money receivable?

To whom is it a note for money payable?

Explanation. The words "Value received" constitute an acknowledgment that *value* has been *received* for which the note was given. It is not necessary, in most States, that these words appear.

Parties to a Note. There are two parties, originally, to a note, called the *maker* and the *payee*. The *maker* is the person who signs it and becomes responsible for its payment. He is the payer. The *payee* is the person to whom the note is payable.

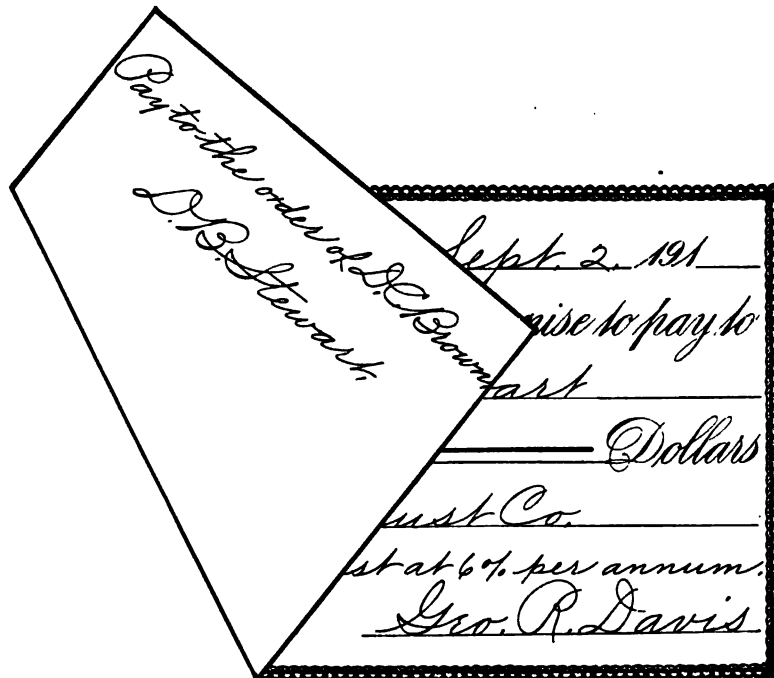
The *date of maturity* is the due date. This must be fixed definitely and usually is so fixed by its dating and words showing how many days or months after that date it is payable. Notes may be payable "on demand."

The *principal* is the amount due as written in the note. The principal is sometimes referred to as the "face" of the note. The *amount due* is the principal plus the amount accrued for interest up to the date of payment.

A note may be transferred by the payee to some one else. This transfer must be evidenced by endorsement. The person owning the paper at any time is called the *holder*.

An *endorsement* is the signature of some person other than the maker, made either for the purpose of guaranteeing the note or transferring it, usually both. The endorsement is usually written across the back of the left end of the note and when it is so written it means that the person signing the paper transfers it to some one else, and guarantees it. Thus the payee of a note could transfer it to some other person by endorsing it as shown in the following illustration.

ILLUSTRATION



The above is an illustration of a note endorsed *in full*. There are several other kinds of endorsement. Endorsement *in blank* (the signature only) is very common. Endorsement in full is better for the endorsee than any other kind.

LESSON VI

THE NOTES RECEIVABLE ACCOUNT

Payments are not always made in cash. Sometimes notes are given instead of money. When a note is in favor of the business, it is said to be a "note receivable."

One of the problems of the bookkeeper is to determine the total of notes receivable which should be on hand at any time. In order to do this he must keep a record of notes receivable received and disposed of. He therefore opens an account in the ledger headed *Notes Receivable*.

Trace the following transactions from the *Illustrative Exercise* to the *Illustration*.

ILLUSTRATIVE EXERCISE

191—

- Sept. 1. Received W. H. Stedman's note for \$160.00.
- 2. Received a note from B. V. Giles for \$225.00.
- 3. C. D. Norton gave me his note for \$57.50 for Mdse.
- 12. Disposed of B. V. Giles' note for \$225.00 by selling it to the bank.
- 14. Geo. H. Rogers gave me Richard Roe's note for \$100.00 in exchange for Mdse.
- 16. W. H. Stedman paid me \$160.00 in cash and I gave him back his note.
- 18. C. D. Norton paid for his note in cash and I returned the note to him.
- 19. Received B. H. Patterson's note for \$160.40.

No notes were received or disposed of during the rest of September. Find the balance of notes on hand Sept. 30.

ILLUSTRATION

Notes Receivable

191—		191—	
Sept. 1	160	Sept 12	225
2	225	16	160
3	57.50	18	57.50
14	100	30 Balance	260.40
19	160.40		
	702.90		702.90
Oct. 1	✓ 260.40		

Explanation. The above is a notes receivable account. The explanations *Dr.* and *Cr.* are not written above the left and right sides, respectively, of the account, because it is assumed that by this time the student is familiar enough with the form of an account to make these explanations unnecessary.

QUESTIONS

- Items of what kind are entered upon the debit side of the account?
- Items of what kind are entered upon the credit side of the account?
- What does the total of the debit column indicate?
- What does the total of the credit column indicate?
- What does the difference between the two totals indicate?
- How can I tell whether the result of the account is correct or not?
- Which side of the account can never be the larger?
- How is the account closed?

What is done with the balance after closing? Why?
 How can notes receivable come into my possession except when they are made out in my favor?
 How can I dispose of a note receivable without waiting for it to be paid by the person who made it?
 You have now studied the cash, Mdse., real estate, and furniture & fixtures accounts. Which one is the notes receivable account like?

Summary of the Notes Receivable Account

A note is a written promise to pay a certain sum of money on a certain day to a certain person or his order. When notes are in favor of the business, they are notes receivable. An account is kept in the ledger with notes receivable.

Entries. The notes receivable account contains records of all notes receivable received and all notes receivable disposed of, at face value.

Rule. Debit the notes receivable account when a note receivable is received either from the person who made it or from some other person. Credit the notes receivable account when a note receivable is disposed of either to the person who made it or to some other person.

Result. The difference between the total of debits and the total of credits is the balance on hand, and should agree with the notes in the drawer or safe. Items always appear on the debit side first. The debit side is always the larger.

Closing. The account is closed just as you learned to close the cash account.

Write the heading *Notes Receivable* at the top of a loose sheet of ledger paper and make the entries required for the following transactions:

EXERCISE 7

191—

- July
1. I have on hand notes amounting to \$1256.50.
 2. I bought P. A. Quigley's note. Face of note, \$420.75.
 3. I sold to Jacob Kern Mdse. invoicing at \$120.60, and received his note in payment.
 5. One of the notes I had on hand July 1 was paid in cash, \$250.00, and I returned the note to the person who made it. (It is always assumed that a note is returned to the maker when it is paid.)
 6. Andrew J. Hitchcock gave me his note for \$50.00 which he owed me.
 8. Received R. H. Lowden's note for \$116.75
 12. P. A. Quigley paid his note in cash, \$420.75.
 13. Sold Mdse. to H. A. Babcock on his note, \$126.45.
 14. Received cash from Perry & Co. for their note due this day, \$76.95.
 16. R. L. McGuire, who had owed me \$70.00 for some time, gave me his note to cover the amount due me.
 18. Jacob Kern gave me his check for \$120.60, in settlement of his note due today.

No other notes receivable were received or disposed of during the month. Balance the account, dating the balancing entry July 31 and bringing down the balance as of Aug. 1.

LESSON VII

THE NOTES PAYABLE ACCOUNT

When a person issues a note and becomes responsible for its payment, it is a *note payable*, as far as that person is concerned.

The terms *notes receivable* and *notes payable* define themselves, and need no special explanation except to remind you that in using these expressions you are always viewing the notes from the standpoint of the proprietor of the business—for what is a note receivable to him will be a note payable to the other party to the transaction, and *vice versa*.

ILLUSTRATIVE EXERCISE

191—

- Oct. 1. I issued my note for \$125.50.
- 2. I bought Mdse. invoicing at \$160.00 and gave my note in payment.
- 3. I mailed a promissory note to Brown & Co. for the amount I owed them, \$250.75.
- 11. I paid \$125.50 in cash for the note issued Oct. 1, and received it back, canceled.
- 12. I gave Jacobs & Holmes my 60-day note for \$200.00 due them.
- 17. I redeemed in cash the note issued on Oct. 2.
- 18. I bought Mdse. on my 15-day note, \$136.75.
- 19. I paid Brown & Co. \$250.75 in cash in settlement of the note they held against me.

ILLUSTRATION

191—		<i>Notes Payable</i>		191—	
Oct. 11		125.50	Oct. 1		125.50
17		160	2		160
19		250.75	3		250.75
21	Balance	✓ 336.75	12		200
		873.00	18		136.75
		873.00	Nov. 1	Balance	✓ 336.75

Explanation. The above is an illustration of the Notes Payable account.

QUESTIONS

- Items of what kind are entered upon the credit side of the account?
 Items of what kind are entered upon the debit side of the account?
 What does the total of the credit column indicate?
 What does the total of the debit column indicate?
 Which side can never be the larger?
 What does the difference between the two sides indicate?
 How is the account closed?
 What is done with the balance after closing? Why?
 On which side is the red ink balance entered?
 On which side is the balance brought down in black ink?
 What is the advantage of balancing the account? Can you think of any disadvantage?

Summary of the Notes Payable Account

A record of notes issued and redeemed is kept in the ledger under the heading *Notes Payable*. This is called the notes payable account. It is the exact reverse of the notes receivable account, in which are kept records of the notes received and disposed of.

Entries. The notes payable account contains records of all notes payable issued and all notes payable redeemed.

Rule. Credit the notes payable account when we issue notes. Debit the notes payable account when we redeem notes issued by us.

Result. The result is a balance which is the amount of our notes outstanding. Items always appear on the credit side first. The credit side is always the larger.

Closing. The balance is entered on the debit side in red ink and brought down on to the credit side in black ink.

Prepare Exercise 8 (an account headed *Notes Payable*) on the same page with Exercise 7, leaving six blank lines between the two. When both have been approved, copy them (or work them again, as your teacher shall direct) on page 4 of your ledger (Blanks I, Book B).

EXERCISE 8

191—

- Aug. 1. Outstanding notes at this time amounted to \$1250.65.
 2. Issued my 15-day note to W. H. Chapman for Mdse., \$215.20.
 3. Paid cash for my note in favor of W. G. Simpson, \$162.75.
 4. E. L. Travers, to whom I owed \$100.00, presented a note for the amount, which I signed at his request.
 5. Borrowed \$500.00 from the First National Bank, giving my 60-day note for the amount.
 6. Redeemed my note for \$240.70 which matured today, in cash.
 9. Gave Jerome B. Howard my 30-day note for \$169.37, to cover an amount due him.
 17. Jesse A. Baldwin presented a note signed by me, for \$215.20. This note had been sold to him by W. H. Chapman. After making certain that the note was properly indorsed, and was due this day, I paid it in cash.
 18. Bought a National Cash Register for \$225.00 on my 30-day note.
 Close the account as of Aug. 31.

LESSON VIII

TRANSACTIONS TO BE JOURNALIZED

Before proceeding with the work of journalizing the transactions stated below, please consider the following in review.

In every transaction there is an equal exchange of values; one thing is received (or costs value), and another thing is disposed of (or produces returns).

Whenever anything is received, it costs value. Whenever anything is disposed of, it produces returns. A little reflection will show you that the expressions "received" and "cost value" can be used interchangeably. They do not mean the same, but when one is true the other is also true. The same may be said of the expressions "disposed of" and "produced returns," because when a thing is disposed of in trade it produces returns.

In journalizing the following, apply the rule for journalizing in its more extended form, thus:

Debit the account of that which is received (or costs value). Credit the account of that which is disposed of (or produces returns).

The accounts with which you are now familiar are the *cash, merchandise, real estate, furniture and fixtures, notes receivable, and notes payable* accounts.

When journalizing notes ask yourself in each case: First, was it a note receivable or a note payable? Second, was it received or parted with?

EXERCISE 9

191—

Sept. 1. I bought from the John V. Farwell Co., for cash, 4 Bagdad Wilton rugs, at \$22.50, \$90.00; 8 Bagdad Wilton rugs, at \$37.50, \$300.00; total, \$390.00.

Sept. 2. I bought from Marshall Field & Co. 5 Royal Wilton rugs, at \$40.00, giving them in payment my non-interest-bearing note for \$200.00 due in twenty days.

Sept. 3. I sold for cash 3 Kordo velvet rugs, at \$9.50, \$14.00, and \$18.50 respectively.

Sept. 5. I sold to Arthur A. Lyons 2 Saxony Axminster rugs, at \$14.90 and \$16.90 respectively. He gave me in payment his 15-day note, without interest, for \$31.80.

Sept. 7. I purchased from the Indiana Carpet Co. 100 sq. yds. Jap matting, at 18½¢, \$18.50; 250 sq. yds. H. E. China matting, at 12¢, \$30.00; total, \$48.50. Gave them my 20-day note, without interest, for the amount.

Sept. 9. J. E. Silver & Co. invoiced to me 400 sq. yds. E quality printed linoleum, at 25¢, \$100.00. I gave them my check for the amount.

Sept. 10. The Derby Desk Co. delivered, for office use, 1 desk and stool, \$45.00; 1 3-section filing case, \$32.50; 1 typewriter desk and stool, \$27.50; total, \$105.00. I gave them \$50.00 in currency and my check for \$55.00.

Sept. 11. I bought from the Studebaker Mfg. Co. an auto-truck for delivery purposes, \$1250.00, giving in exchange my 60-day note bearing interest at 6%.

Assume that you are keeping an *Auto-truck* account in your ledger. This account is kept just like the real estate account.

Sept. 11. I bought the garage and lot located at 7269 Parnell Ave., paying for it by check, \$1875.00.

Sept. 14. I sold to S. N. Webster, accepting his 10-day note without interest in payment, 4 Smyrna rugs, at \$4.40, \$17.60; 40 yds. body Brussels carpet, at \$1.30, \$52.00; total, \$69.60.

Sept. 15. Received J. H. Kimmons' check for \$82.95 in payment for 3 seamless Wilton rugs, at \$27.65 each.

Sept. 16. R. H. Rennie gave me his note for \$25.30 due in 30 days, at 6% interest, for 1 Saxony Axminster rug.

Sept. 20. Arthur A. Lyons paid me by check \$31.80, to cover the amount due on his note of Sept. 5.

Sept. 22. I redeemed my note of Sept. 2 in favor of Marshall Field & Co. for \$200.00, by a cash payment.

Sept. 22. Sold to S. R. Lawton 40 sq. yds. E quality printed linoleum at 40¢, \$16.00, receiving his five-day note without interest in payment.

Sept. 24. S. N. Webster paid his note due today in cash. This was the note I received from him Sept. 14.

Sept. 24. I bought from John V. Farwell Co., on my 30-day note without interest, 4 Bagdad Wilton rugs, at \$15.00, \$21.25, \$24.50, and \$27.50 respectively; total \$88.25.

Sept. 27. I remitted to the Indiana Carpet Co \$48.50 in payment for my note dated Sept. 7 and due today.

Sept. 27. S. R. Lawton paid me in cash the amount due me on his 5-day note dated Sept. 22.

Sept. 28. I sold half of the lot at 7269 Parnell Ave. to W. E. Lowe for \$800.00, accepting his 30-day note at 6% interest in payment.

Sept. 28. I bought an assorted lot of window fixtures from the Central Window Display Co. for \$125.00, giving in exchange my 60-day note at 5%.

Sept. 29. I sold to Arthur A. Lyons 36 sq. yds. Jap matting at 30¢, \$10.80; and 36 sq. yds. H. E. China matting, at 20¢, \$7.20; total, \$18.00. He gave me his 30-day note at 6%.

Sept. 30. I received from Marshall Field & Co. 24 jute rugs, at 80¢, \$19.20; 30 jute rugs, at \$1.42½, \$42.75; total, \$61.95. They accepted my 30-day note, at 6%, in payment.

LESSON IX

ENTRIES HAVING MORE THAN ONE DEBIT AND ONE CREDIT

Trace the following transactions from the *Illustrative Exercise* to the *Illustration*.

ILLUSTRATIVE EXERCISE

191—

Sept. 1. I sold to Wm. H. Morrison 90 brls. Winesap Apples, at \$5.00, \$450.00. In exchange he gave me his 60-day note at 6% for \$250.00 and his check for \$200.00.

Sept. 3. I received \$201.67 in cash from Geo. W. Wilkins in settlement of his 60-day note due today for \$200.00, and interest which had accrued on it at 5% amounting to \$1.67.

Sept. 5. I bought from Jas. King the store building and lot located at 4726 Michigan Ave. for \$7750.00, and paid for it by giving my 90-day note at 6% for \$5000.00, merchandise worth \$250.00, and cash for the balance.

Sept. 6. My note in favor of H. K. Jones fell due today. The face of the note was \$100.00 and interest had accrued for 60 days at 6% amounting to \$1.00. I delivered in payment 1 Morris chair at \$35.50, and cash for the balance.

ILLUSTRATION

September 1, 191-

Notes Rec.	250		
Cash	200		
Mdse.			450
Sold to Wm. H. Morrison 90 lbs. Winesaps, at \$5 ⁰⁰ . Rec'd his 60-day note at 6% for \$250 ⁰⁰ and cash for bal.			
			3
Cash	20167		
Notes Rec.			200
Interest			167
Rec'd cash from Geo. H. Wilkins in settlement of his note due today and interest for 60 days at 5%			
			5
Real Estate	7750		
Notes Pay.			5000
Mdse.			250
Cash			2500
Bought from Jas. King, the store plot located at 4726 Michigan Ave. Gave him my 90-day note at 6%. Mdse. worth \$250 ⁰⁰ , and cash for the balance			
			6
Notes Pay.	100		
Interest			1
Mdse.			3550
Cash			6550
Paid my note in favor of H. K. Jones and interest for 60 ds. at 6%. Gave him 1 Morris Chair, \$35.50, and cash for bal.			

After carefully examining the foregoing transactions and tracing them to the illustration as suggested, study the model, especially noting the exact position of each item in each entry. Then, covering the model, write the transactions independently on a sheet of loose journal paper, afterward comparing your work in every detail with the model.

Summary

Every transaction consists of an equal exchange of values, but there may be more than one thing received or more than one thing given. There may be two or more debits, or two or more credits, or both. The debits and credits must exactly equal each other, however, in every transaction. In the journal entry, the debits must be all in the same relative position, and the credits must be all in the same relative position.

THE INTEREST ACCOUNT

Interest is the use of money for which consideration is paid. When one party uses money belonging to another, he should pay for that use. The amount of the payment for interest depends upon the length of time the money is held by the borrower or user and the rate per cent agreed upon. When one party makes an interest-bearing note in favor of another, it is an acknowledgment that he is holding (receiving the use of) money belonging to that other and an agreement to pay for its use at a certain rate. The rate is customarily stated as a certain per cent of the principal *per annum*.

ILLUSTRATIVE EXERCISE

191—

- Sept. 1. Received the use of money for which use I paid \$5.76.
2. The use of money borrowed from John Smith cost me \$2.35.
3. The First National Bank loaned me \$1000.00. I paid them \$8.33 for the use of this money for sixty days.
4. I loaned H. E. Hill \$200.00 and the loan brought me returns for interest, \$2.50.
5. John Doe borrowed \$500.00 from me and paid me \$4.50 for the use of the money.
6. I paid \$7.50 for interest on money borrowed from H. E. Kessler.
8. John Castle paid me \$303.50 for his note due this day, \$300.00, and interest, \$3.50 (consider only the amount collected for interest, in making the entry in the interest account).
9. I redeemed my note in favor of C. H. Harris, \$400.00, on which \$8.75 had accrued for interest, by giving him my check for \$408.75.

No other transactions involving interest took place during the month. On Sept. 30, \$16.75 had accrued for interest on my money held by others, and I owed \$12.60 for interest on money belonging to others and being used by me

ILLUSTRATION

Interest

191-		191-		
Sept. 1		576	Sept. 4	250
2		23.5	5	450
3		833	8	350
6		750	30	127.5
9		875	30	150.4
	30	✓ 1260		
		4529		4529
Oct. 1 Inventory	✓	1675	Oct. 1 Inventory	✓ 1260

Explanation. The above is an account with interest, with both debit and credit inventories, closed.

QUESTIONS

- On which side are costs of Mdse. entered in a Mdse. account?
- On which side are entered costs of interest in the above illustration?
- On which side are entered returns for interest?
- On which side are entered costs which have accrued but are not yet paid? What are these called?
- On which side are entered returns which have accrued but are not yet paid? What are these called?
- What does the lead pencil total on the debit side show?
- What does the first lead pencil total on the credit side show?
- What does the second lead pencil footing on the credit side show?
- After the inventories have been entered, what does the excess of the debit side over the credit side show? Had the credit side been the larger, what result would have been shown?
- How are the inventories brought down?

Summary of the Interest Account

Interest is the use of money for which consideration is paid. When I receive the use of Smith's money I should pay for that use. When I give Smith the use of my money he should pay me for that use. When I receive the use of others' money, therefore, and give value for it, interest costs me. When I part with the use of my money, and receive value in exchange, interest produces returns to me.

Entries. The interest account contains records of all items of cost of our use of money belonging to others, and all returns to us from others for their use of our money. (Stated more briefly, the *costs* and *returns* arising from interest.)

Rule. Debit the interest account when interest costs us. Credit the interest account when interest produces us returns.

Result. When all amounts due for interest from us and to us are paid, the interest account shows a loss if the debit side be larger, or a gain, if the credit side be larger.

Inventories. Costs for interest which have accrued up to the time the account is closed, but have not yet been paid or otherwise adjusted, are entered upon the debit side in red ink and added to the costs which have been actually paid or otherwise adjusted. Returns for interest which have accrued up to the time the account is closed, but have not yet been paid, are entered on the credit side in red ink and added to the returns which have been actually made.

Closing. The loss or gain is entered upon the smaller side in red ink, and the account is ruled and footed. The inventories are brought down, each being entered in black ink upon the side opposite that on which it was entered in red.

EXERCISE 10

Open an interest account by writing the heading *Interest* on a sheet of ledger paper and make entries in this account for the transactions following. *Do not attempt to journalize.* Enter the interest items only and enter them direct in the ledger account.

191—

Oct. 1. Received \$10.00 in cash from L. L. Snell for interest due me on money borrowed.

Oct. 4. Paid \$6.50 to the First National Bank for interest on my note in their favor.

Oct. 7. I held a note against S. S. Parkinson for \$100.00 due this day. Interest had accrued amounting to \$1.60, and he gave me his check for \$101.60 in settlement. (Enter the item of interest only.)

Oct. 12. The Citizens Bank presented a note signed by me for \$250.00, due this day, with \$2.67 interest accrued. I paid it by check.

Oct. 16. The semi-annual interest on a mortgage which I held against Fairview Farm fell due and was paid to me in cash, \$45.00.

Oct. 18. I held a note against Harold E. Smith due today with \$7.50 interest accrued. Smith could not pay the note, but he paid me \$7.50 for interest and secured an extension of the note.

Oct. 20. S. T. Herman gave me his check for \$152.25, for his note due today, \$150.00, and interest, \$2.25.

Oct. 24. I paid E. E. Trotter \$263.00 in cash for my note in his favor, due today, \$257.50, and interest, \$5.50.

Oct. 31. Interest accrued on my money being used by others, \$23.50. (Red ink entry of inventory, on credit side.)

Oct. 31. Interest accrued on money of others being used by me, \$17.60. (Red ink entry of inventory, on debit side.)

Find the gain or loss for interest for October and enter it on the smaller side in red ink. Rule the account and foot the columns. Bring the inventories down below the double rulings, each on the side opposite that on which it was entered in red. When your work has been approved, copy the account (or work it again, as your teacher shall direct) on page 4 of your ledger, leaving four blank lines below the notes payable account.

LESSON X

ACCOUNTS WITH PERSONS

Trace the following transactions from the *Illustrative Exercise* to the *Illustration*.

ILLUSTRATIVE EXERCISE

191—

- Sept. 1. I sold B. L. Thompson, 3346 Indiana Ave., Mdse. invoicing at \$47.50, for which he did not pay me at the time.
- Sept. 2. I sold B. L. Thompson on account a bill of goods, \$23.76.
- Sept. 3. I received B. L. Thompson's note in part payment of what he owed me, \$25.00.
- Sept. 14. Sold B. L. Thompson on account goods invoicing at \$17.75.
- Sept. 15. B. L. Thompson paid me \$20.00 in cash.
- Sept. 26. B. L. Thompson returned Mdse. which I had sold him, \$2.30.
- Sept. 27. Sold Mdse. to B. L. Thompson on credit, \$12.50.

ILLUSTRATION

B. L. Thompson

191—		191—		3346 Indiana Ave.	
Sept. 1		47.50	Sept. 3		25
2		23.76	15		20
14		17.75	26		2.30
27		12.50			
	<i>Bal. due</i>	127.51			

Explanation. The above is an account with a person,* or personal account. When persons get something of value from us without making settlement at the time, a claim against them is established in our favor. When we get something of value from others without making settlement at the time, a claim is established against us in their favor. An account is opened with each person against whom we receive such claims or to whom we give such claims against us and the amounts of these claims and of payments made in settlement or reduction of them are entered in the account. All such dealings with persons are said to be "on account" because they are to be recorded in the account with the person. A personal account should always be headed with the name and address of the person. A person who owes us is our debtor; one whom we owe is our creditor.

The terms *debtor* and *creditor* apply to persons only, not to the sides of an account. The left side of an account is the *debit* side, and the right side is the *credit* side.

*The word "person" as used throughout this lesson, will be understood to mean *person, firm, or corporation*.

Accounts of this class far outnumber all other accounts in the ledger of an ordinary concern doing a credit business.

QUESTIONS

With what person does the above account show that I have had business dealings?

What is his address?

Upon which side was the entry made when I received a claim against him?

Upon which side was the entry made when he paid me and thus reduced the amount of my claim?

What was the total of claims against B. L. Thompson received by me during September?

What was the total of B. L. Thompson's payments in reduction of my claims against him?

How much does he still owe me?

NOTE. The foregoing illustration is an account with a customer. The debit entries or claims against him (charges) amount to more than do the credit entries, which represent his payments. An account with a person from whom I buy would probably show a larger credit side than debit side and its balance would be payable rather than receivable.

Summary of Personal Accounts

Entries. Claims against others on account, claims of others against us, and payments by or to us on account are entered in personal accounts.

Rule. Debit the account of a person when we receive a claim against that person on account; credit the account when he pays. Credit the account of a person when we give that person a claim against us on account; debit the account when we pay him.

Result. The difference between the two sides shows whether the person owes us or we owe him, and how much. If the debit side be the larger he owes us; if the credit side be the larger, we owe him. A neat lead pencil footing is placed close beneath the last item in each column. The difference between these two footings is then ascertained and written in small lead pencil figures at the left of the larger footing, just outside of the money column.

Closing. Personal accounts are not customarily ruled, except when they are paid in full and the two sides are equal; in forwarding, the better plan is to forward the balance only.

NOTE. It will be observed that the rule for personal accounts is not different from every other rule you have learned; nor will you ever learn any different rule. The rule "Debit what is received; credit what is disposed of" is of universal application. In the case of a personal account, it is apparent that we are keeping records of claims against and in favor of persons, and that this record is debited when a claim is received and credited when a claim is disposed of. It follows naturally that when payments are made in reduction of claims the entries are made on the side opposite that on which the claim was entered; so we credit the accounts of persons who make payments on account and debit the accounts of persons to whom we make payments on account.

NOTE Accounts with persons to whom we sell can be compared to the account with notes receivable, and accounts with persons from whom we buy can be compared to notes payable. In the case of notes, the promise to pay is always written, whereas in the case of personal accounts the promise to pay is either a verbal promise or an implied promise, but the accounts are handled in the same way. One form of dissimilarity is that a personal account may contain items both payable and receivable, so that sometimes the balance is on the opposite side from what would ordinarily be expected. Sometimes two accounts are kept with the same person, one account showing what we have bought from him, and payments thereon; the other showing what he has bought from us, and payments thereon.

Open accounts with McNeil & Co., 569 S. Water St., L. W. Sherman, 4827 Yale Ave., and R. L. Peterson, 5132 Princeton Ave. Give each account one-third of a page. Write the names in a bold, strong hand; the addresses should be written neatly and legibly, but very small, on the next line. Do not attempt to journalize. Simply enter the debits and credits of personal accounts directly into the accounts.

191—

EXERCISE 11

- Nov. 1. Bought Mdse. from McNeil & Co. on account, \$276.28.
 2. Sold Mdse. to L. W. Sherman, on account, \$10.52.
 3. Sold Mdse. to R. L. Peterson, on account, \$8.93.
 4. Purchased from McNeil & Co., on credit, Mdse. invoicing at \$153.65.
 5. Sold on credit to L. W. Sherman, goods billed at \$22.50.
 6. Sold a bill of goods on credit to R. L. Peterson, invoicing at \$12.75.
 8. Paid McNeil & Co. cash on account, \$100.00.
 9. Received from L. W. Sherman cash on account, \$15.00.
 10. Received from R. L. Peterson cash on account, \$10.00.
 11. McNeil & Co. billed to me Mdse. on credit, \$87.50.
 13. L. W. Sherman bought Mdse. on account, \$5.67.
 14. R. L. Peterson purchased Mdse. from me on account, \$7.87.
 14. I returned Mdse. to McNeil & Co., \$12.60.
 16. L. W. Sherman returned Mdse. to me, \$2.22.
 17. R. L. Peterson gave me his note, \$15.00.
 18. I gave McNeil & Co. my note for \$100.00.
 19. Sold L. W. Sherman Mdse. on account, \$11.34.
 20. R. L. Peterson bought Mdse. from me on credit, \$4 86.
 22. I purchased Mdse. from McNeil & Co., on account, \$23.65.
 22. R. L. Peterson paid me cash in full of account, \$——.
 After making the entry rule and foot the account.
 23. I paid McNeil & Co. cash on account, \$50.00.
 24. I collected cash from L. W. Sherman, \$15.00.
 25. Sold to R. L. Peterson Mdse. billed at \$15.62.
 26. Paid cash to McNeil & Co. to balance our account with them, \$——.
 After making the entry, rule and foot the account.
 28. Sold to L. W. Sherman Mdse. billed at \$6.73.

Show the amount due from L. W. Sherman, making neat lead pencil figures in the wide column on the debit side, as shown in the illustration on page 33.

THE PROPRIETOR'S ACCOUNT

The proprietor's account is the account in which are shown the investments in the business made by the proprietor, and the withdrawals from the business made by him. The net gain of the business, as periodically determined, is usually allowed to remain in the business as an additional investment; if a net loss be shown instead of a net gain, the net loss is treated as a withdrawal.

Entries. These are the investments made by the proprietor and his withdrawals, as described above.

Rule. Credit the account for amounts invested by the proprietor. Debit it for his withdrawals.

Result. The difference between the two sides of the account shows the amount of the proprietor's net investment (the net capital of the business) if the credit side be the larger; if the debit side be the larger, a net insolvency is shown.

Closing. The proprietor's account is closed with a balance, at the time of closing other ledger accounts. This balance is the present worth of the business.

NOTE.—The business itself is the property of the proprietor. Hence it cannot be said, in a logical sense, that the business owes the proprietor anything. In a strictly formal bookkeeping sense, however, the books appear to show that the business owes the proprietor the balance of the proprietor's account. This is sometimes referred to as an "inside" liability. The proprietor cannot be sure of that balance, however, until all debts to outside creditors are paid, and even then the business would not owe it to him, because he owns the business, and therefore has the assets of the business in his own possession. The resemblance between the proprietor's account and an account with a creditor is close enough, however, to permit of a comparison of the rules for debit and credit, thus:

Credit the account of the { creditor } for what he { gives }
 proprietor { invests }
 Debit the account of the { creditor } for what { we pay him }
 proprietor { he withdraws }

The resemblance above noted is so evident that it is not considered necessary to give an illustration of the proprietor's account here. Sufficient instruction has been given to enable the student to make the entries required before he reaches page 68, where there is shown a full form of the proprietor's account.

THE EXPENSE ACCOUNT

Items of expenditure for the conduct of the business* are called expense. This includes such items as rent, coal, salaries and wages, non-productive labor, and all smaller incidental expenses. An expense account is usually kept in the ledger.

ILLUSTRATIVE EXERCISE

191—

- Sept. 1. Paid rent for September in cash, \$75.00.
- Sept. 2. Bought postage stamps for cash, \$20.00.
- Sept. 4. Bought from Smith & Co., on account, 4 tons coal at \$3.60, \$14.40.
- Sept. 6. Paid the clerk's salary in cash, \$14.00.
- Sept. 8. Sold for cash 200 2¢ stamps.
- Sept. 13. Paid the clerk's salary in cash, \$14.00.
- Inventories Sept. 30. Coal on hand, 2 tons at \$3 60, \$7.20. Salary due clerk, \$30.00

ILLUSTRATION

Expense

191—		191—		191—	
Sept. 1		75		Sept. 8	44
2		20		30 Inventory	✓ 720
4		14.40		30 Cash	156.20
6		14			
13		14			
30	Inventory	✓ 30			
		167.40			167.40
Oct. 1	Inventory	✓ 720		Oct. 1	Inventory
					✓ 30

* "Expenditure for the conduct of the business" must be understood as exclusive of outlay for trading and investment items. This does not include interest, however, or any other class of expenditure for which an independent account is kept. Items of tangible property are not usually considered expense unless they are consumed in the using.

Entries. Items of cost incurred in running the business and rebates or returns from such items, are entered in the expense account.

Rule. Debit the expense account for all items of cost incurred in running the business; credit the expense account for rebates or returns from such items, if any (as when postage stamps, the cost of which has been charged to expense, are sold for cash).

Inventories. Anything remaining on hand at the time of closing the account which has been charged to expense (e. g., coal, postage stamps, floor oil, etc.), must be entered as an inventory on the credit side in red ink before closing. Any obligations for expenses which have accrued but have not yet been met, such as clerks' wages or salaries earned and unpaid, must be entered as an inventory on the debit side before closing.

Result. When the account contains none but debit items, the total of the debit side shows the cost of expense for the period covered by the account. If there are any credit items these must be deducted.

Closing. The account closes with a loss. Inventories must be brought down in red ink, in each case onto the side opposite that on which it was entered in red.

LESSON XI

EXERCISE 12

REVIEW EXERCISES IN JOURNALIZING

Journalize the following transactions, beginning on a new page of the journal.

191—

- Dec. 1. Paid cash for December rent, \$75.00.
- Dec. 2. Bought for cash 12 brls. Washburn-Crosby Superlative flour, at \$4.50, \$54.00.
- Dec. 3. Paid the bookkeeper's salary for the week in cash, \$12.50.
- Dec. 5. Sold to J. W. Swinton on his 20-day note at 6%, 225 bu. oats, No. 2 white, at 32¢ a bushel, \$72.00.
- Dec. 6. Sold to W. S. Rankin, 383 La Salle St., on account, 4 brls. Washburn-Crosby Superlative flour, at \$5.60, \$22.40.

When a personal account is opened, the person's address must appear in the first entry that is made, as shown in the illustration herewith.

ILLUSTRATION

<p>W. S. Rankin Mdse. 4 brls. W. C. Superlative flour at</p>	<p>6</p>	<p>383 LaSalle St.</p>	<p>22 40</p>	<p>22 40</p>
--	----------	------------------------	--------------	--------------

- Dec. 6. Bought from B. F. Harman the building and lot located at 1231 State St. for \$12,000.00, giving in payment our check for \$7000.00 and our 15-day note at 6% for \$5,000.00.
- Dec. 6. Sold for cash 75 bu. No. 3 yellow corn, at 49¢, \$36.75.

- Dec. 7. A. J. Brock, 4265 N. Robey St., invoiced to us, terms cash 10 days,* 300 bu. wheat, at \$1.02, \$306.00.
- Dec. 8. Sold to H. B. Pitton 100 bu. wheat, at \$1.07½, \$107.50, receiving his check in payment.
- Dec. 10. Gave the bookkeeper a check for his salary, \$12.50.
- Dec. 12. B. F. Wylie, 7647 Peoria St., ordered by telephone 50 bu. No. 3 yellow corn, at 56¢. We delivered this to him and charged the amount of the bill to his account.
- Dec. 13. Bought for cash 400 bu. wheat, at 95¢, \$380.00.
- Dec. 13. Paid the drayman \$12.50 for deliveries made for us during November.
- Dec. 16. W. S. Rankin gave us his note for \$22.40 to cover his bill of Dec. 6. The note was a 30-day note at 6%, and was dated Dec. 6.
- Dec. 17. In accordance with the terms of our agreement with A. J. Brock we gave him our check for the amount due on his bill of Dec. 7.
- Dec. 18. Paid the bookkeeper's salary, \$12.50, giving him \$2.50 in cash and our check for \$10.00.
- Dec. 20. Sold 100 bu. oats, No. 2 white, to C. J. Andrews, at 32¢. He gave us in payment his 60-day note at 5%, for \$32.00.
- Dec. 20. Bought from Farson and Son on our 60-day note without interest 500 bu. corn, No. 4 white, at 44½¢, \$222.50.
- Dec. 21. Our 15-day note dated Dec. 6 fell due this day, and we paid for the note, \$5000.00, and interest accrued on it for 15 days at 6%, \$12.50, by giving our check for \$5012.50.
- Dec. 24. B. F. Wylie claimed that part of the corn we sold him on Dec. 12 was not up to grade, and returned 10 bu., for which we gave him credit at the purchase price, 56¢ (Dr. Mdse. \$5.60; Cr. B. F. Wylie, \$5.60).
- Dec. 24. Saturday the 25th being a holiday, we paid the bookkeeper's salary tonight in cash.
- Dec. 27. The 25th being a holiday, and the next day being Sunday, J. W. Swinton's 20-day note of Dec. 5 was not paid until the 27th. He gave us his check to cover the note for \$72.00, and interest at 6% for 22 days, 26¢. Total of check, \$72.26.
- Dec. 27. Borrowed \$1000.00 from the Second National Bank on our note for 30 days at 6%. As customary in such cases the bank deducted the sum due for interest, \$5.00, in advance, paying us \$995.00 in cash.
- Dec. 28. Sold to T. J. Hart on his 30-day note without interest, 100 bu. wheat at \$1.09, \$109.00.
- Dec. 29. Bought from Carson, Pirie, Scott & Co., cor. Adams and Market Sts., for cash, 1 No. XX98 display case, oak, for \$4.25.
- Dec. 30. Discounted at 6% our 60-day note for \$222.50 in favor of Farson and Son dated Dec. 20. This means that we paid it 50 days before it was due in order to secure a discount. Farson and Son allowed us to deduct for 50 days' interest at 6%, \$1.85, paying them \$220.65 in cash.

*This means he allowed us ten days in which to pay the bill.

Dec. 31. T. J. Hart discounted at 6% his 30-day note for \$109.00 in our favor dated Dec. 28. This means that he paid it 27 days before it was due, in order to secure a discount. We allowed him to deduct for 27 days' interest at 6%, \$.49, paying us \$108.51 in cash.

Journalize the transactions for June given below, which assume the following accounts to be kept in P. S. Spangler's ledger: Cash, Mdse., Real Estate, Furniture & Fixtures, Interest, Expense, Notes Receivable, Notes Payable, personal accounts, P. S. Spangler-Proprietor.

191—

EXERCISE 13

June 1. P. S. Spangler has this day invested in business cash, \$12500.00 (Debit Cash; credit P. S. Spangler-Proprietor).

June 1. Bought from R. E. Morris the retail grocery business located at 2113 Broad St., Your City, paying in cash for the following properties: Mdse., \$3750.00; building and lot, \$6500.00; store furniture and fixtures, \$550.00; and a 30-day note for \$200.00 signed by G. C. Claybaugh, dated May 9, on which interest had accrued at 6% amounting to 77¢. (The explanation should make a complete statement of what took place and no important detail should be omitted.)

June 2. Bought from H. T. Jett, 2738 Topeka St., on account, 100 doz. cans No. 2 Telephone peas, at \$1.10, \$110.00.

June 3. Purchased from F. E. Lakey, 1816 Michigan Ave., on our 10-day note at 6%, 144 doz. cans No. 2 extra standard apricots, at \$1.50, \$216.00.

June 4. Sold to H. S. Clay, 1312 Lexington St., on account, 90 lbs. California prunes, at 17¢, \$15.30; 3 boxes Muscatel raisins, 150 lbs. at 9¢, \$13.50; total, \$28.80.

June 6. Bought from the Remington Typewriter Co., 154 Wabash Ave., on our 15-day note at 6%, 1 No. 10 machine, \$105.00; 1 8-drawer typewriter desk, \$15.00; 1 stenographer's chair, \$6.75; total, \$126.75.

June 6. Paid the clerk's salary for the week ending today, in cash, \$15.00.

June 8. G. C. Claybaugh paid cash for his note due today, \$200.00, and interest, \$1.00.

June 9. Bought from B. J. Still & Bros., 1625 Rolfe Boul., on account, 66 lbs. Santos coffee, at 20¢, \$13.20; 150 lbs. finest Mexican coffee, at 18¢, \$27.00; total, \$40.20.

June 10. Sold to Geo. H. Zinnel, 1927 Nicolet Ave., 50 lbs. extra choice Formosa tea, at 70¢, \$35.00. Received in exchange his 15-day note, at 6%.

June 11. Sold to C. C. Parlin, 2536 Wausau Ave., on account, 70 lbs. fine Japan tea, basket fired, at 40¢, \$28.00.

June 12. Paid H. T. Jett in cash the amount of his invoice of June 2, \$110.00.

June 13. Paid in cash for our note in favor of F. E. Lakey, \$216.00, and interest for 10 days, \$.36.

June 13. H. S. Clay paid cash to settle our bill of June 4, \$28.80.

June 13. Paid the clerk's salary for the week in cash, \$15.00.

June 15. Paid the scrubwoman cash for services, \$3.50.

June 16. C. C. Parlin paid us \$10.00 in cash to apply on account.

June 18. Sold to H. S. Clay on account, 9 doz. bottles Mammoth olives, at \$7.50, \$67.50.

June 19. Sold to Geo. H. Zinnel, 1927 Nicolet Ave., on account, 90 lbs. imported Westphalia ham, at 35¢, \$31.50; 4 boxes Kingsford's Silver Gloss starch, at \$4.75, \$19.00; total, \$50.50.

- June 20. Paid the clerk's salary in cash as before.
 June 21. Received from H. S. Clay on account his 60-day note, at 6%, for \$50.00.
 June 21. Paid by check our note in favor of the Remington Typewriter Co., \$126.75, and interest for 15 days at 6%, \$.32.
 June 22. Sold to C. C. Parlin on account 3 boxes Fels Naphtha soap, at \$4.25, \$12.75.
 June 24. Geo. H. Zinnel paid in cash his note in our favor dated June 10, \$35.00, and interest for 14 days at 6%, \$.08.
 June 24. Petty (small) sales of Mdse. for cash amounted to \$69.43.
 June 24. P. S. Spangler, the proprietor, withdrew cash for private use, \$25.00.
 June 26. Received \$18.00 in cash from C. C. Parlin for the balance due on the invoice sold to him June 11.
 June 27. Paid the clerk's salary in cash as before.
 June 27. Received \$12.50 cash from Geo. H. Zinnel on account.
 June 29. Sold to H. S. Clay, on account, 8 doz. cans clam chowder (quarts), at \$3.00, \$24.00; 6 doz. cans chicken gumbo soup (quarts), at \$3.25, \$19.50; total, \$43.50.
 June 30. Bought a straight-backed chair for the stenographer, for cash, \$2.25.
 June 30. Sold the stenographer's old chair at second hand for \$4.25 cash.

INVOICES

An *invoice* is a written list of the items of some particular sale of goods, showing the quantity, name, price, and amount of each item sold, and the total of the sale. It is

		NEW YORK, <u>April 30, 191</u>			
		Messrs <u>John King & Co.</u>			
		<u>1133 Broadway, City.</u>			
		BOUGHT OF MASON & OSGOOD			
TERMS: 30 DAYS					
32	lbs <u>Y. H. Tea</u>	<u>.45</u>	<u>14</u>	<u>40</u>	
75	" <u>Java Coffee</u>	<u>.20</u>	<u>15</u>	<u>-</u>	
25	lbs <u>Mackerel</u>	<u>1.50</u>	<u>45</u>	<u>-</u>	
40	lbs <u>Herring</u>	<u>.27</u>	<u>13</u>	<u>20</u>	
15	" <u>Val Raisins</u>	<u>1.40</u>	<u>21</u>	<u>-</u>	
					<u>108.60</u>

prepared at the time of the sale or shipment and is submitted to the customer as a memorandum of the sale. Invoices are usually prepared on printed forms, the headings of which contain the name and address of the seller, with blank spaces in which the name and address of the buyer, the date of the sale, and perhaps other important data, may be inserted.

The student should be careful not to confuse invoices with statements. Statements of account are made periodically (usually monthly) to customers, and a statement may cover a number of invoices. Only the total amount and date of each invoice appears on the statement.

Avoid indiscriminate use of the word "bill." This is a word which is loosely used to mean an invoice, a statement, a dun, a piece of currency, a bill of exchange, or a proposed legislative enactment. Because it has many meanings, the word "bill" should be avoided and the more specific word used whenever possible. Sometimes, as when a charge for services rendered is submitted in writing, the word "bill" seems to be the only one which can be used.

LESSON XII

DEFINITIONS AND PRINCIPLES

Review

TO THE STUDENT: It is assumed that you have now an understanding of the nature of an account and of the rule of debit and credit. An intelligent grasp of these two fundamental things must precede any comprehensive view of double entry bookkeeping. You are now ready to undertake the study of the definitions and principles which follow, as you can now read them with understanding. Learn them thoroughly. The success of your work depends largely upon your early mastery of the definitions and principles here laid down. If you learn them well, you will get a broad grasp of the entire subject of bookkeeping that will make your future work doubly effective, and you will get from it the satisfaction and pleasure that always accompany work well understood and well done.

A Business Transaction is a single exchange or trade.

Money is the medium of exchange in business transactions. That is, things are exchanged on the basis of their values expressed in terms of money.

A thing has *value* if its possession is a benefit or convenience to the party receiving it (or if a loss or inconvenience is occasioned to the party giving it) which can be expressed in terms of money.

Things having value may be: (1) cash; (2) property; (3) claims; (4) services; (5) uses or privileges.

In every transaction there must be an *equal exchange*. It takes two to make a bargain and without agreement as to equality of values there would be no trade. (The profit in business arises from the fact that we consider the value of a thing sold as greater than the value of the same thing when it was bought.)

Transactions are recorded in bookkeeping at the values agreed upon between the parties trading

Bookkeeping is the science and art of keeping records of business transactions and the accounts arising from them.

These records may be kept in bound books, or they may be kept on loose sheets or cards and filed. For the present, assume that they are kept in bound books.

A Set of Books includes all the books in which the transactions of a certain business are recorded. The person who makes these records is called a *bookkeeper*.

The kind and number of books kept depends upon the nature and extent of the business and upon what the proprietor wishes to know about the business.

The terms *accountant* and *bookkeeper*, while often applicable to the same person, convey different meanings. A bookkeeper is one who keeps a set of books, making the entries, posting, taking trial balances and preparing statements. He may understand the principles of the science of bookkeeping or he may do his work by rote. An accountant is one thoroughly versed in the science of accounts, capable of analyzing statements, devising systems, auditing the bookkeeper's work; his knowledge is not limited to but one system. In general, his sphere may be said to begin where that of the bookkeeper ends. The bookkeeper is the workman. The accountant is the master of the science, under whose direction, directly or indirectly, the bookkeeper labors.

Kinds of Books. In general, there are three kinds of books. (a) Books of original entry, (b) The book of final entry, (c) Auxiliary books.

Books of Original Entry are those in which transactions are recorded at the time of their occurrence. Of this kind is the journal.

Ledger. The book of final entry is the ledger. This contains the accounts arising from the transactions as recorded in the journal and other books of original entry. You will learn later how to transfer these entries from the journal to the ledger.

Auxiliary Books are books of memorandum. The facts kept in them are often important and always interesting, but they are not an essential part of the bookkeeping scheme. Typical auxiliary books are the Notes Receivable Book and the Notes Payable Book, which as ordinarily kept are merely books of memorandum, the principal purpose of which is to remind the bookkeeper when the notes fall due.

There are two principal problems which it is the province of the bookkeeper to solve. One problem is: Is the business being conducted at a profit or a loss, and how much? The other problem is: What is the business worth—that is, what does it owe and what does it own?

In order to solve these two great problems, the bookkeeper must first solve many smaller individual problems.

Every transaction consists of an exchange of values. The things of value in which the business deals in its transactions must be classified under separate headings, all receipts and payments of cash under one heading, all purchases and sales of Mdse. under another, all expense items under another, all costs and returns for interest under another, all dealings with any certain person under another, and so on.

When all entries are correctly classified it is found that each group of entries constitutes a separate problem. How much cash is on hand? What has been the gain or loss on Mdse.? What has been the gain or loss for interest? How much does Smith owe us? What do we owe Jones? And so on. After these separate problems have been solved, the bookkeeper is in a position to solve the two principal problems of the business, mentioned above.

Accounts are the separate records, kept in the ledger, of things having value in which the business deals.

For a definition of value, see page 41.

You have studied the following accounts: *Cash, merchandise, real estate, furniture and fixtures, notes receivable, notes payable, personal accounts, expense, interest.* Answer the following questions in regard to each:

1. What is the purpose of the account?
2. What is the method of handling it?
3. What result does it exhibit at closing?
4. May it have an inventory or inventories?
5. How is it closed?
6. What is brought down?
7. What kind of value is recorded in the account—*cash, property, claims, services, or uses?* (Note: The expense account ordinarily records *services*, but certain kinds of *property* are charged to the expense account, when they are to be used in conducting the business (i. e. coal, postage stamps, etc.), so that this is in this sense a mixed account.

The expense account ordinarily records *services*, but certain kinds of *property* are charged to the expense account, when they are to be used in conducting the business (i. e. coal, postage stamps, etc.), so that this is in this sense a mixed account.

Each account, as previously stated, constitutes a separate problem. The problem of the account may be to determine the amount of something on hand, the extent of some obligation, or the amount of loss or gain on some particular thing of value dealt in.

In solving the problem presented by any account not only is its principal result shown, but a number of lesser problems are solved in the process. For instance, in solving the cash problem, the bookkeeper finds out not only how much cash should be on hand, but how much was received during a certain period and how much was paid out during a certain period. In solving the problem of gain or loss on Mdse., he finds out incidentally what were the total purchases, total sales, cost of goods sold, etc.

Summary of Rules for Journalizing

Debit

Credit

Debit the cash account when cash is received.	Credit the cash account when cash is paid out.
Debit the merchandise account when Mdse. is received or costs value.	Credit the merchandise account when Mdse. is disposed of or produces returns.
Debit the real estate account when real estate is received or costs value.	Credit the real estate account when real estate is disposed of or produces returns.
Debit the furniture & fixtures account when furniture & fixtures are received or cost value.	Credit the furniture & fixtures account when furniture & fixtures are disposed of or produce returns.
Debit the notes receivable account when other persons' notes are received or cost value.	Credit the notes receivable account when other persons' notes are disposed of or produce returns.
Debit the notes payable account when we redeem notes issued by us.	Credit the notes payable account when we issue notes.
Debit the interest account when we receive the use of other persons' money and it costs us value.	Credit the interest account when we part with the use of our money and it produces us returns.
Debit a personal account when we receive a claim against the person or the person costs us value. (When we sell to a customer on credit or pay a creditor on account.)	Credit a personal account when we give another a claim against ourselves or the person produces value to us. (When we buy from a creditor on account, or receive pay from a customer.)
Debit the proprietor's account for amounts withdrawn by him and for the net loss of the business as periodically determined.	Credit the proprietor's account for amounts invested by him and for the net gain of the business as periodically determined.
Debit the general expense account for all items of cost incurred in running the business or which are consumed in the using except for such items as are kept in some separate expense account.	Credit the general expense account for rebates and returns on items which have been debited to it.

The Journal is a book of original entry. When it is the only book of original entry, all business transactions are recorded in it in the order of their occurrence. A record of a single transaction is called an entry.

A Journal Entry consists of a statement of the debits and credits arising from a single transaction; that is, it states what account or accounts are to be debited, and what account or accounts are to be credited, and how much. The journal entry must use the exact names of the accounts affected in each transaction.

The General Rule for Debiting and Crediting is: Debit the account of the thing which is received or costs value. Credit the account of the thing which is disposed of or produces returns.

The thing which is received always costs value (since something has to be given in exchange for it). The thing which is disposed of always produces returns (since something is received in exchange for it).

Double Entry Bookkeeping is that method which requires entries on both the debit and credit sides of the ledger for every transaction. This is the scientific method, the method in general use by those who wish their bookkeeping to guide them in the conduct of their business, and it is the method you will study chiefly in this text.

Single Entry Bookkeeping is a simple device for keeping accounts (usually) with persons and cash only. A single entry set is presented on page 150.

CHAPTER III
POSTING—THE TRIAL BALANCE

LESSON XIII

EQUALITY OF DEBIT AND CREDIT

How much is a man worth? Mr. Black has \$1000.00 in cash. He owns nothing else and owes nothing. This is the simplest case imaginable, and we say

\$1000.00 = What Mr. Black is worth.

PROBLEM 1. A has \$86.75 in his cash register and \$500.00 on deposit at the bank. He owns nothing else and owes nothing. How much is he worth?

PROBLEM 2. B has \$50 75 in his cash drawer, \$226.65 on deposit at the First National Bank, and \$500.00 deposited in the savings bank. He owns nothing else and owes nothing. How much is he worth?

In bookkeeping we deal with the affairs of a business, not a man. Mr. Black may have part of his thousand dollars invested in one business and part in another. Let us assume that he has \$500.00 invested in a certain business. This case is also simple, and we say

\$500.00 cash = Mr. Black's investment in the business, \$500.00.

It is not necessary that an investment be entirely cash. It may consist of or include anything of value which the proprietor owns and wishes to put into the business. Suppose that Mr. Black had put into the business a stock of merchandise worth \$200.00, furniture and fixtures worth \$100.00, a note against Mr. Brown for \$100.00, and only \$100.00 in cash. His investment would have been just the same as in the preceding illustration, but would have been expressed thus:

Cash,	\$100.00	}	= Mr. Black's investment, \$500.00.
Mdse.,	\$200.00		
Furn. & Fix.,	\$100.00		
Notes Rec.,	\$100.00		

PROBLEM 3. C invests \$225.00 in cash, Mdse. worth \$526.70, furniture and fixtures which he values at \$175.00, and an account against X for \$120.60. He owns nothing else and owes nothing. How much is the business worth? Prepare your statement in the form shown above.

PROBLEM 4. D has \$96.50 in his cash register and \$452.60 on deposit at the bank. He owns a store and lot valued at \$8600.00, Mdse. inventoried at \$2346.75, and fixtures valued at \$236.50. He holds a note against X for \$100.00, and an account against Z for \$76.90. He owns nothing else and owes nothing. If this is all invested in a business, how much is the business worth?

It will be noted that the total of the items on the left-hand side in the illustration above are exactly equal to the amount of Mr. Black's investment, as shown at the right. If a journal entry were made, the four items on the left would be entered as debits and

the amount of Mr. Black's investment would be entered as a credit. State the reason in each case.

If such a journal entry were made and posted, the four items on the left, showing as debits in the journal entry, would be posted to the left-hand or debit side of the ledger. Similarly the item on the right, showing as a credit in the journal entry, would be posted to the right-hand or credit side of the ledger. It is apparent that there would then be \$500.00 on the debit side of the ledger and \$500.00 on the credit side of the ledger. This equality between the debit and credit sides of the ledger is always maintained to the cent. To further illustrate this point, let us again take up Mr. Black's business.

As Mr. Black's ledger now stands the debit and credit sides are exactly equal, as follows:

Debit Side	Credit Side
\$500.00	= \$500.00

Suppose that Mdse. is sold for cash, \$100.00. The journal entry for this transaction would debit cash \$100.00 and credit Mdse. \$100.00. This debit and credit would be posted to the ledger, without disturbing the equality of the debit and credit sides, as the following will show:

Debit Side	Credit Side
\$500.00.....	\$500.00
100.00.....	100.00
<u> </u>	<u> </u>
\$600.00.....	\$600.00

Assuming that other transactions take place as noted below, trace the effect of each transaction upon the ledger, particularly noting that since the debit side and the credit side are increased by the same amounts each time, the equality between the two sides is not disturbed.

TRANSACTIONS	JOURNAL ENTRY	LEDGER	
		Debit Side	Credit
		\$500.00	\$500.00
		100.00	100.00
		<u> </u>	<u> </u>
		\$600.00	\$600.00
		50.00	50.00
Bought Mdse. for cash, \$50.00	Dr. Mdse., \$50.00, Cr. Cash, \$50.00	<u> </u>	<u> </u>
		\$650.00	\$650.00
Sold Mdse. to Geo. Green on acct. \$75.00	Dr. Geo. Green, \$75.00, Cr. Mdse., \$75.00	75.00	75.00
		<u> </u>	<u> </u>
		\$725.00	\$725.00
Rec'd cash \$101.00, for note, \$100.00, and Int. \$1.00	Dr. Cash \$101.00, Cr. Notes Rec. \$100.00, Cr. Int. \$1.00	101.00	100.00
		<u> </u>	<u> </u>
		\$826.00	\$826.00

And so this exercise might be continued indefinitely without disturbing the equality between the two sides of the ledger. The original investment consists of equal debits and credits, so that the footings of the ledger are equal to start with. Every transaction consists of equal debits and credits. The two sides of the ledger are therefore increased equally for each transaction, leaving the total footings equal at all times.

Posting

From what has preceded, the relation between the journal and the ledger is perfectly clear. Let us briefly review the situation: The journal is the book of original entry. The debits and credits arising from the transactions of the business are stated in the journal just as they must appear in the ledger. These debits and credits are written in the journal at the time of their occurrence and in the order of their occurrence. Later they are transferred to the ledger, each item being written in its own account.

The process of transferring items of debit and credit from the journal to the ledger is called "posting." Before you can be taught to post you must have something to post. You will therefore journalize the following transactions.

Your only considerations at this time relate to the journalizing itself. Be sure to state correctly the names of accounts to be debited and credited, and the amounts. Be sure the debits in each entry exactly equal the credits in that entry. Be sure that each part of each entry is exactly in its position. Let your explanation for each entry be full and complete, omitting no essential detail. Write neatly and plainly, being especially careful to make your figures distinct, each squarely in its own column. This work may be prepared first on loose sheets.

LESSON XIV

A MODEL SET

TRANSACTIONS

191—

- Jan. 1. F. R. Elliott has this day engaged in business at 7741 Union Ave., Auburn, Ill., investing as follows: Cash on hand, \$176.25; cash in the First National Bank, \$4500.00.
- Jan. 2. Bought from H. B. Doan & Co., 1439 Market St., for cash, 6 doz. men's woolen gloves at \$4.50, \$27.00; 9 doz. men's fleece-lined kid gloves, at \$6.00, \$54.00; total, \$81.00.
- Jan. 3. Bought for cash from the Acme Furniture Co., 423 W. 43d St., City, 4 plate glass show cases, at \$56.50 each, \$226.00.
- Jan. 4. Bought from Dale & Allen, Gloversville, N. Y., on account, 3 doz. men's cape gloves, at \$15.00, \$45.00; 5 doz. men's suede gloves, at \$13.50, \$67.50; total, \$112.50.
- Jan. 4. Paid the bookkeeper's salary for the week ending Jan. 4, in cash, \$15.00.
- Jan. 6. Sold to C. E. Rayburn, 4856 S. Drexel Boul., 1½ doz. men's silk-lined mocha gloves, at \$15.00, \$22.50, receiving in exchange his 20-day note at 6% for the amount.
- Jan. 7. Received from F. White & Co., 469 Madison St., 2 doz. ladies' 16-inch mocha gloves, at \$24.00, \$48.00; 1 doz. ladies' long kid gloves, \$27.50; total, \$75.50. Gave them our 15-day note at 6% for the amount.
- Jan. 8. Sold to H. E. Runyon, 7626 Lowe Ave., on account, 1½ doz. men's cape gloves, at \$18.00, \$27.00; 2 doz. mens' suede gloves at \$16.25, \$32.50; total, \$59.50.
- Jan. 9. Sold for cash 1 doz. ladies' 16-inch mocha gloves, \$27.50.

- Jan. 11. Paid the bookkeeper's salary, \$15.00, in cash, deducting \$1.25 for a pair of men's cape gloves at cost price.
- Jan. 13. Sold to L. V. Bradley, 6361 Yale Ave., on account, 1 doz. ladies' 16-inch mocha gloves, \$27.50; 1½ doz. men's silk-lined mocha gloves, at \$18.00, \$27.00; total, \$54.50.
- Jan. 14. Bought from Yawman & Erbe, Rochester, New York, a complete filing case for office use, \$187.50, giving them our 60-day note without interest for the amount.
- Jan. 15. Sold to H. E. Runyon, on account, 3 doz. men's woolen gloves, at \$5.75, \$17.25; 2 doz. men's fleece lined kid gloves, at \$9.50, \$19.00; total, \$36.25.
- Jan. 18. Paid the bookkeeper's salary in cash, \$15.00.

LESSON XV

POSTING

Having written all of the above transactions in your journal, it now becomes necessary to get the entries into the ledger. This is accomplished by the process of *posting*, as suggested on a previous page.

Before posting to the ledger, it will be well to write the headings of the different ledger accounts, so that your posting will not be interrupted. Allow for each account one line for the heading, one line for the year date, and the number of lines indicated in the following list.

Page 6. F. R. Elliott, Proprietor,	7 lines	Cash,	12 lines
Merchandise,	15 lines	Notes Receivable,	10 lines
Furniture & Fixtures,	7 lines	Page 8. H. E. Runyon, 7626 Lowe Ave.,	10 lines
Expense,	8 lines	L. V. Bradley, 6361 Yale Ave.,	9 lines
Page 7. Interest & Discount,	7 lines	Notes Payable,	7 lines
Loss & Gain,	8 lines	Dale & Allen, Gloversville, N. Y.,	7 lines

✕ Write the ledger headings in a bold, strong, plain hand, somewhat larger than your ordinary writing. The address should always show as a part of the heading of a personal account. It should be written on the year date line, a little to the right, and in a smaller hand. Rule a double red line across the page one line below the heading, on the year date line. See illustrations on pages 9 and 33. When all the ledger headings have been written, proceed to post the journal entries to the ledger, as follows:

The first item of the first transaction is "Cash, Dr., \$4676.25." Enter this in the cash account in the money column on the debit side, using the date shown in the journal and being careful to place the year date at the top of the date column. The narrow column at the left of the money column is for the journal page; place in this column the figure 20*, which shows the page of the journal *from which* the item was posted. Last, write the amount, being careful to get each figure squarely in its own column. Then, in the journal, in the narrow column at the left of the word "cash," write the number of the ledger page *to which* the item was posted (7). This completes the posting of the first item of the first transaction.

*This and other folios used in the model forms on pages 50, 51, and 52 are not necessarily the same as you will use.

The second item of the first transaction in the journal is: "F. R. Elliott, Cr., \$4676.25." Enter this in F. R. Elliott's account on the credit side. Show in the narrow folio column in the ledger the page of the journal (20) *from which* the item was posted. Last, write the amount in the money column. Show in the narrow folio column in the journal the page of the ledger *to which* the item was posted (6).

Post the rest of the transactions, observing carefully the following points:

(1) Each debit item in the journal must be posted to the debit side of the ledger; each credit item in the journal must be posted to the credit side of the ledger.

(2) The dates and amounts in the ledger must agree with the dates and amounts in the journal.

(3) Each ledger item must show in its folio column the page of the journal from which the item was posted. Each journal item must be similarly postmarked to show the ledger page to which it was posted. *These folios must be entered at the exact instant of posting in each case*, as their presence shows that posting has been done and their absence shows that posting has not been done.

(4) The year date must show at the top of every date column in the ledger. This applies to both sides of each account; a year date at the top of each page, only is not sufficient if there are more than one account on the page.

When you have posted all journal entries, the folio column on the first page of your journal will be filled, as in the model journal page 20 shown herewith. The posted entries will appear as in the model ledger forms shown. Trace the entries from the journal to the ledger in the models, noting especially the folios used. The full ledger is not shown.

NOTE. Do not get the idea that in business posting is left undone for several weeks and then done all at once, as it is in this model set. This plan is followed in teaching beginners the elements of book-keeping, so as not to confuse them, but in business the bookkeeper must post as he gets opportunity. Each entry could be posted as soon as made, and the alert bookkeeper always tries to keep his books posted up to the minute. The entries in the journal (and other books of original entry) must be made as the transactions occur, but as often as there comes a lull in the entering of new business, he seizes the opportunity to post as many entries as he can, beginning at the point where he last left off, as shown by the folio column of the journal (and other books of original entry).

LESSON XVI

THE TRIAL BALANCE

Beginning with the thought that the total of things invested is exactly equal to the capital of the business at the beginning and the fact that in every journal entry the debit item (or items) exactly equals the credit item (or items), let us see how these things affect the condition of the ledger.

It is apparent that the debits in the ledger exactly equal the credits at the beginning, since the only debit is that in the cash account and the only credit is that in the proprietor's account. Starting with equal debits and credits, and posting equal debits and credits from the journal to the ledger for every transaction, nothing is more clear than that the ledger must always be in equilibrium, or, as commonly said, "in balance."

You are now to demonstrate the fact that the ledger is in balance. To do this make a list of all ledger accounts and write opposite the name of each account the amounts of total debits and credits, as ascertained from the ledger. This is a full trial balance by

20.

January 1, 191-

7	Cash		4676	25		
6	F. R. Elliott, Proprietor					467625
	F. R. Elliott has this day engaged in business at 774 1/2 Union Ave., Auburn, Ill.; investing as follows: Cash on hand, \$176. ²⁵ ; cash in First Natl Bank, \$4500. ⁰⁰					
		2				
6	Mdse.		81			
7	Cash					81
	Bot. from H. B. Doan & Co., 1439 Market St.					
	6 doz. men's woolen gloves, at \$4. ⁵⁰ \$27. ⁰⁰					
	9 doz. men's fleece-lined kid gloves, at \$6. ⁰⁰ 54. ⁰⁰					
		3				
6	Furn. & Fix.		226			
7	Cash					226
	Bot. from the Acme Furniture Co., 423 W. 43d St., 4 plate-glass show cases, at \$56. ⁰⁰					
		4				
6	Mdse.		112	50		
8	Dale & Allen, Gloversville, N. Y.					11250
	3 doz. men's cape gloves, at \$15. ⁰⁰ \$45. ⁰⁰					
	5 doz. men's suede gloves, at \$13. ⁰⁰ 67. ⁰⁰					
		4				
6	Expense		15			
7	Cash					15
	Bkprs. Sal'y for wk. ending Jan. 4					
		6				
7	Notes Rec.		22	50		
6	Mdse.					2250
	Sold to C. E. Rayburn, 4856 S. Drexel Bou't, on his 20-day note at 6%, 1 1/2 doz. men's silk-lined mocha gloves at \$15. ⁰⁰					
		7				
6	Mdse.		75	50		
8	Notes Pay.					7550
	Bot. from F. White & Co., 469 Madison St., on our 15-day note at 6%					
	2 doz. ladies' 16-in. mocha gloves, at \$24. ⁰⁰ \$48. ⁰⁰					
	1 doz. ladies' long kid gloves 27. ⁰⁰					

F. P. Elliott, Proprietor

6.

191-		191-		191-	
				Jan. 1	20 467625
<i>Merchandise</i>					
Jan. 2	20	81	Jan. 6	20	2250
4	20	11250	8	21	???
7	20	???	9	21	???
			11	21	???
			13	21	???
			15	21	???
<i>Furniture & Fixtures</i>					
Jan. 3	20	226			
14	21	???			
<i>Cash (from Page 7)</i>					
Jan. 1	20	467625	Jan. 2	20	81
9	21	???	3	20	226
			4	20	15
			11	21	???
			18	21	???
<i>Dale & Allen (from Page 1) Gloversville, N.Y.</i>					
			Jan. 4	20	11250

THE TRIAL BALANCE

Trial Balance, Jan. 18, 191-

6	F. R. Elliott		467625
6	Merchandise	269	?????
6	Furniture & Fixtures	??????	
6	Expense	??	
7	Cash	??????	??????
7	Notes Receivable	2250	
8	H. E. Runyon	????	
8	L. V. Bradley	????	
8	Notes Payable		???
8	Dale & Allen		11250
		??????	??????

footings.* When all amounts are entered in it, the total of its debit column and credit column should exactly agree.

At the top of the page write the heading *Trial Balance, Jan. 18, 191-*. For convenience, and to save yourself the trouble of again adding the ledger columns down to this point, you may now foot all columns in the ledger, making small, neat lead-pencil figures just below the last item in each column, as shown in the models of ledger accounts, being careful in each case to leave room for the item that is to be written later on the next line below. In the folio column at the left of the names of the accounts listed in the trial balance, write the page on which the account is found in the ledger, for reference. A model form of trial balance is shown above. Your trial balance will be like it in form, but you will have to determine the correct amounts yourself and your folios may be different. When your trial balance has been approved, copy it, or prepare it again independently, as your teacher shall direct, on page 1 of Book 3, Blanks No. I.

Checking the Trial Balance

It may be that the debit and credit footings of the trial balance you prepare will not agree. If so, some mistake has been made. They must agree exactly. You will have to check over your work in order to find your mistake. This checking is done in an order exactly reverse to that in which the work was done, for reasons which you will readily understand: (1) You are more likely to discover an error if you check over your

*Trial balances are usually taken by differences; i. e., the difference between the two sides of each account is shown only, instead of the full footings, both debit and credit. You will learn about this later.

work in an order different from that in which it was done. If you should go over your work in the same way you went over it the first time, you might make the same mistake.

(2) The error will probably be discovered more quickly, because the chances are that the error was in the latter part of the work.

Note that you are to *check* the work, not merely to *inspect* it. It seems slower to check work than to glance over it, but experience has proved that the discovery of errors is much more sure and quick when the checking is done. Proceed as follows:

(1) Again add the columns of the trial balance, adding in the direction reverse to the direction in which you first added them. (Whenever you have occasion to test your own addition, add downwards if you added upwards before, or *vice versa*.) Check the footings as you find them correct.

(2) Check back from the trial balance items to the ledger footings, placing a check mark opposite each trial balance item and a dot opposite the ledger footing which it represents as you find them to be in agreement.

(3) Again add the ledger columns, verifying the accuracy of your first addition. Check the footings as you find them to be correct.

(4) Check back from the ledger to the journal, placing a check mark opposite each ledger item and another check mark opposite its corresponding journal entry as you find them to be in agreement.

(5) Inspect the journal to see that every item has been checked once, and no item checked twice.

(6) Inspect the journal to be certain that the separate entries contain equal debits and credits. When there are many complicated entries in the journal, this may be done more readily by adding the debit and credit columns for an entire page than by the slower process of inspecting each entry.

As soon as an error or errors are discovered which will account for the discrepancy in your trial balance, your search is at an end. Further checking would be to no purpose.

In checking, form the habit of placing the check marks (✓) neatly in a column, always making them the same size and shape. They are more easily seen if they are in a neat column, and need not be large or made heavily. Nothing looks worse than a ledger covered with scrawling checkmarks of various sizes and shapes.

Enter the remaining transactions for the month of January, as shown below. The transaction dated Jan. 20 is entered just below the last entry in the journal as though there had been no interruption for posting.

LESSON XVII

TRANSACTIONS FOR JANUARY—*Continued*

- Jan. 20. Sold to L. V. Bradley, on account, 3 doz. men's suede gloves, at \$16.50, \$49.50; 3 doz. men's woolen gloves, at \$6.50, \$19.50; 1 doz. ladies' long kid gloves, \$32.50; also one of our plate glass show cases, second hand, for \$52.00; total charged to him, \$153.50.
- Jan. 22. Redeemed our note in favor of F. White & Co. The note was dated Jan. 7 and was for 15 days at 6%. Face of note, \$75.50; interest, 19¢; amount of our check, \$75.69.

- Jan. 23. H. E. Runyon gave us his check for \$59.50, in full settlement of our bill against him dated Jan. 8.
- Jan. 24. We discounted our note dated Jan. 14 in favor of Yawman & Erbe, mailing them our check for the net amount due. This note was for \$187.50, and was due 60 days from its date without interest. Discount for 50 days at 6%, \$1.56; amount of our check, \$185.94.*
- Jan. 25. Paid the bookkeeper's salary in cash, \$16.00.
- Jan. 27. C. E. Rayburn paid us in cash for his note of Jan. 6, \$22.50, and 8¢ for interest for 21 days at 6%; total cash received, \$22.58.
- Jan. 27. Bought from Dale & Allen, on account, 10 doz. men's silk-lined kid gloves, at \$9.50, \$95.00; 9 doz. men's silk-lined suede gloves, at \$9.50, \$85.50; total, \$180.50.
- Jan. 28. Sold to H. K. Armstrong, 4759 S. Park Boul., on his 60-day note at 6%, 5 doz. men's silk-lined kid gloves, at \$12.50, \$62.50.
- Jan. 29. Sold to H. E. Runyon, on account, 4 doz. men's silk-lined suede gloves, at \$12.75, \$51.00.
- Jan. 30. L. V. Bradley gave us his 30-day note at 6% for \$153.50, the amount of our bill against him of Jan. 20. The note was dated as of Jan. 20.
- Jan. 31. Bought from the Etna Woolen Mills, 7548 Emerald Ave., 3 doz. men's woolen sweaters, at \$9.75, \$29.25; 3 doz. Juvenile sweater coats, at \$12.00, \$36.00; 2 doz. ladies' knit golf vests, at \$15.00, \$30.00; total, \$95.25. Gave them our 60-day note at 6% for the amount of the bill.

Post all the transactions from Jan. 20 to Jan. 31 inclusive and take a trial balance.

In adding the columns in your ledger it will only be necessary to foot the amounts entered since Jan. 18, including the lead pencil footings entered at that time. The trial balance of Jan. 31 can be written on the lower half of page 1 of the Trial Balances and Statements Book—Book 3 of Blanks No. I.

*The student will note that interest and discount, being similar in nature, are recorded in the same account. Discount of this kind must not be confused with cash discount, about which you will learn later.

CHAPTER IV

STATEMENTS*

LESSON XVIII

THE FINANCIAL STATEMENT

Two principal facts about his business which a man wishes to be in a position to ascertain are (1) Its condition; (2) Its progress.

By "condition" is meant the worth of the business at a given time. "Progress" refers to the gain or loss, as the case may be, during a certain period, or from one date to another.

Neither condition nor progress can be determined entirely from the ledger, as the inventories must be known before condition and progress can be determined, and the ledger does not show present inventories. Most of the necessary facts, however, are shown in the ledger.

The condition of the business is shown by a specially prepared statement of the business called the Financial Statement. Before proceeding to analyze this statement or to study its form, solve the following problems. If you do this work thoughtfully, you will be led unconsciously into an understanding of the principles underlying the Financial Statement, though its form will still be unfamiliar to you.

PROBLEMS

Problem 1. On Jan. 31, 191—, A's ledger showed investments as follows: Cash, \$5464.75; Notes Receivable, \$560.50; due from B, \$225.00. What was the condition of the business (what was it worth)?

Problem 2. On Feb. 28, 191—, Mr. B's ledger showed: Cash, Dr \$5000.00, Cr. \$2673.40; Notes Receivable, Dr. \$650.00, Cr. \$325.40; A. R. Barnes, Dr. \$450.75, Cr. \$225.90; E. G. Holm, Dr. \$226.76, Cr. \$59.72. He had on hand furniture and fixtures valued at \$475.50 and a stock of goods worth \$4376.80—facts not shown in the ledger. What was the worth of the business?

Problem 3. Mr. C., desiring to ascertain the condition of his business, told his bookkeeper: "Our merchandise inventory on Mar. 31, 191—, was \$7560.00, our furniture and fixtures inventory was \$740.69, and I valued this store and lot, which I own, at \$15,000.00. Make me a statement showing the condition of this business on Mar. 31." The bookkeeper referring to the ledger found that on Mar. 31 the accounts had stood as follows. Cash, Dr. \$4560.70, Cr. \$2389.60; Notes Receivable, Dr. \$789.20, Cr. \$384.50; I. J. Green, Dr. \$326.07, Cr., \$100.00. What was the worth of the business on Mar. 31, as reported by the bookkeeper?

Problem 4. On April 30, 191—, D had \$167.20 in the cash drawer and \$3000.00 in the bank. He held a note against W for \$450.00, and X owed him \$224.67 on account. He owed Y \$370.60, and there was outstanding against him a note in favor of Z for \$275.75. He valued his furniture and fixtures at \$780.93 and his stock of Mdse. at \$3467.25. What was D's business worth?

Problem 5. Accounts in E's ledger stood as follows on May 31:

Cash	\$5467.20	\$2869.46
Notes Receivable	482.29	321.40
B. F. Adams	300.50	210.00
H. A. Dow	250.00	105.50
Notes Payable		200.00
R. L. McNeal	100.00	640.76

Inventories: Mdse., \$4756.82; Real Estate, \$6500.00; Furniture & Fixtures, \$295.00. How much was E's business worth?

*Teachers who prefer to use the two-page statement forms will instruct students to study pages 144 to 148 of the appendix at this time, omitting Lessons XVIII and XIX, except as reference to parts of these lessons is made in the corresponding lessons of the appendix.

Study carefully the illustration below and the explanation accompanying it, and make a financial statement for F. R. Elliott's business as it stood on Jan. 31. It is assumed that all the accounts in your ledger are correct, and that your trial balance of Jan. 31 has been approved by your teacher.

In order to make the financial statement, you must know the inventories, which are as follows: Mdse., \$314.56; Furniture & Fixtures, \$350.00. (Accrued interest on notes receivable, being very little, is not taken into consideration here as an inventory.)

In form, your statement will be like the model shown herewith. The amounts will have to be supplied by you.

FORM OF FINANCIAL STATEMENT

Financial Statement, Jan. 31, 191-

		<u>Assets</u>			
7	Cash			???	??
	Merchandise	Inventory		314	56
	Furn. & Fix.	Inventory		350	
7	Notes Receivable			???	
8	H. E. Runyon			??	??
8	L. V. Bradley			??	??
	Total assets				??????
		<u>Liabilities</u>			
8	Notes Payable			??	??
8	Dale & Allen			???	
	Total liabilities				??????
	Net capital				??????

Explanation. To determine the condition of a business two things must be known. (1) What things of value does the business own (assets)? (2) What does the business owe (liabilities)? The difference between the total of assets and the total of liabilities is the net capital or present worth of the business. In order to know what the assets and liabilities are, the bookkeeper must have a complete list of all inventories and all open accounts in the ledger, and he must know which accounts show assets, which accounts show liabilities, and which accounts show neither assets nor liabilities, but something else.

In the above case, the first asset is cash. The amount of cash on hand is the difference between the debit and credit sides of the cash account. Next come the inventories

of property. These must be known by the bookkeeper; they are matters of fact, not ascertainable, ordinarily, from the ledger. The next asset listed is the total of notes receivable on hand; this is found by comparing the two sides of the ledger account. Next come the balances due from H. E. Runyon and C. V. Bradley; these are also found by comparing the two sides of each of the ledger accounts.

The first liability shown is the total of notes payable outstanding; this is found by taking the difference between the two sides of the ledger account. Next comes the balance due Dale & Allen, which is found by comparing the two sides of the ledger account.

It will be noted that the total assets and total liabilities are shown in the extreme right-hand column. The difference is the net capital of the business.

The financial statement of Jan. 31 should be written on page 2 of your Trial Balance and Statement Book.

Prepare and rule your financial statement exactly as shown in the model form unless otherwise instructed. There are several forms in use besides the form shown. One places all the assets in the left-hand column and all the liabilities in the right-hand column, footing them as in the trial balance and deducting the smaller total from the larger. Another makes use of two pages, placing the assets on the left-hand page and the liabilities just opposite on the right-hand page. Any of these forms are good, but unless specifically instructed otherwise, you will use the form shown, for the present.

NOTE. The student should bear in mind that the financial statement is after all nothing but a problem, in which it is required to find the net capital of the business, all of the assets and liabilities being known. He must exercise his judgment in determining what the result of each ledger account and each inventory shows, but once having determined what the assets are and what the liabilities are, the problem of determining net capital is a very simple one, involving addition and subtraction only.

LESSON XIX

THE LOSS AND GAIN STATEMENT

One of the two principal statements which the bookkeeper has to prepare relates to the progress of the business. How much has the business gained or lost during the period of time between two certain dates? The statement showing this is called the Loss and Gain Statement. As in the case of the Financial Statement, the facts from which it is compiled are found in the different accounts of the ledger and the inventories. Before proceeding to analyze this statement or to study its form, solve the following problems. If you do this work thoughtfully you will be led unconsciously into an understanding of the principles underlying the Loss and Gain Statement, though its form will still be unfamiliar to you.

PROBLEMS

Problem 1. On Jan. 1, 191—, A began business with a capital of \$5672.60. On Jan. 31, he found from the Financial Statement that the business was worth \$6134.95. Had the business gained or lost during January? How was the amount of gain or loss determined?

Problem 2. B's gains from Jan. 31 to Feb. 28 were \$650.00. His losses during the same period were \$327.60. Did the business show a gain or loss for February, and how much? How was the amount of gain or loss ascertained?

What two ways are shown, in the two problems above, for determining loss or gain?

Problem 3. C's Merchandise account showed a gain of \$326.50 during the month of March, 191—. His interest account showed a gain of \$23.45. His expenses for the month were \$125.60, and his office furniture, which he had invoiced on Feb. 28 at \$276.50, he now valued at only \$272.00. What was the net gain or loss of the business for March? What plan did you use to determine this?

Problem 4. D began business on April 1, 191—. During April he bought \$1250.00 worth of Mdse., and on April 30 he had Mdse. remaining on hand valued at \$750.00. The sales for the month amounted

to \$725.25. The gain on interest for the month was \$17.50. The estimated depreciation in the value of Furniture & Fixtures was \$5.00. Expenses totaled \$126.75. What was the net gain or loss for April?

Problem 5. On May 1, E's Mdse. inventory was \$6728.50; on May 31 it was \$6326.53. No Mdse. was purchased during May. Sales for May were \$683.47. The total cost of interest during May was \$15.62; total returns, \$29.50. Total expenses for May were \$137.82. The furniture and fixtures inventory on May 1 was \$365.00; on May 31 it was \$357.50. What was the gain or loss for May?

Problem 6. Determine the gain or loss for June, 191—, from the following facts taken from F's business for the period between May 31 and June 30:

Mdse. Invty. May 31	\$7865.90	Furniture & Fixtures Invty. May 31,	\$493.27
Mdse. Purchases during June	3460.27	Furniture bought during June	127.50
Mdse. Invty. June 30	9253.60	Furniture & Fixtures Invty. June 30	612.00
Mdse. Sales during June	1567.24	Expenses for June	226.26
Interest Dr. \$27.36, Cr.	43.25		

Study carefully the illustration below and the explanation accompanying it and make a loss and gain statement for F. R. Elliott's business for January, 191—, securing the necessary facts from your ledger and from the Jan. 31 inventories as previously given.

FORM OF LOSS & GAIN STATEMENT

Loss & Gain Statement Jan. 31, 191—

		<u>Gains</u>			
6 Mdse.	Total cost	???.??			
	Invty. Jan. 31	314.56			
	Cost of goods sold	???.??			
	Total sales	???.??			
	Cost of goods sold	???.??	???.??		
7 Int. & Dis.	Cr.	?.??			
	Dr.	??	???		
	Total gains				???.??
		<u>Losses</u>			
6 Furn. & Fix.	Dr.	???.??			
	Cr.	??			
6 Expense	Invty. Jan. 31	???.??		?? ??	
	Dr.			??	
	Total losses				?? ??
		Net gain			???.??

The model statement given herewith will show you the proper form, but the proper amounts will have to be determined by you. The loss and gain statement for January should be written on page 2 of your trial balance and statement book, four lines below the financial statement.

Explanation: As previously stated, there are some accounts which do not show an asset or a liability. These show either gains or losses. The amount of gain or loss in each case can be determined from the footings of the ledger and the inventories. The gains are shown in the first group. Open your ledger to the first page of F. R. Elliott's business (page 6), and consider the accounts in their order. Omitting F. R. Elliott's account, which is the capital account, the first account you come to is Mdse. The footings tell you that the purchases amount to \$544.75, and the sales, \$416.50. It is apparent that when the inventory, \$314.56, is taken into consideration, a gain will be shown. List this account then, as showing a gain. The form is as follows: First write the total cost, which is the debit footing of the account, and deduct from it the amount of the inventory. This gives the cost of the goods sold. Beneath this write the total of sales (the credit side of the account) and deduct from it the cost of the goods sold as just ascertained. The result is a gain, which is carried into the left-hand money column, on the same line with the last item.

The next account in the ledger (Furniture and Fixtures) is a loss or gain account, and an inspection shows that it exhibits a loss. The expense account also shows a loss. Pass both of these for the present.

The next account in the ledger is the interest and discount account. It shows a gain. Subtract the debit total from the credit total, as shown in the form, and enter the amount of the gain on interest and discount in the left-hand money column below the amount of gain on Mdse., on the same line with the last item in the explanatory column.

No other accounts show gain. Add the two items of gain, as shown in the form.

It has been previously noted that the furniture and fixtures account and the expense account each show a loss. The loss on furniture and fixtures is found thus: First subtract the credit footing from the debit footing. This gives the net outlay for furniture and fixtures. Subtract the inventory of Jan. 31. The result is a loss and is written in the left-hand money column. Write beneath this the loss for expense. Add the losses and write the total of losses in the right-hand money column beneath the total gains. Subtract. The difference is the net gain for the month.

LESSON XX

THE PROOF

You recognize it as true that the total of things invested equals the capital of the business (the investments being debits and the capital a credit). You have learned, further, that every business transaction consists of an equal exchange of values, the thing or things received being exactly equal to the thing or things disposed of (the former being credits and the latter being debits). The logical conclusion is that the ledger, if correct, must always be in balance.

Starting with the same truth (Total of things invested = capital of the business) let us see how each transaction affects the business, and trace these transactions from the

journal into the statements. For simplicity substitute the word "assets" for the expression "things invested." We now have the equation

$$\text{Assets (say \$5000.00 cash)} = \text{Capital (\$5000.00)}$$

CASE 1. A transaction may be a simple exchange of assets, as when \$1000.00 cash is given for Mdse. worth \$1000.00. This changes only one side of the equation thus:

$$\text{Cash \$4000.00} + \text{Mdse. \$1000.00} = \text{Capital \$5000.00}$$

CASE 2. Instead of parting with some asset for another, we may receive an asset (say Mdse. \$1000.00), creating a liability to offset it. (Let us say that in this case we become indebted to Smith for \$1000.00). The liabilities are placed upon the credit side (with the capital account, which is in a bookkeeping sense a liability of the business to the proprietor) as an offset to the assets, which as you have seen are debits. We now have

$$\text{Cash \$4000.00} + \text{Mdse. \$2000.00} = \text{Capital \$5000.00} + \text{Smith \$1000.00}$$

CASE 3. We may part with an asset in order to reduce or settle a liability. Suppose we pay half of what is due Smith in cash. We part with an asset and reduce a liability. The equation now stands

$$\text{Cash \$3500.00} + \text{Mdse. \$2000.00} = \text{Capital \$5000.00} + \text{Smith \$500.00}$$

CASE 4. We may discharge one liability by the creation of another. Suppose we issue a note in favor of Smith to cover the amount due him. The change is all on one side, and the equation now stands

$$\text{Cash \$3500.00} + \text{Mdse. \$2000.00} = \text{Capital \$5000.00} + \text{Notes Pay. \$500.00}$$

All of the four cases above assume changes in assets and liabilities, but there has been no change in capital. There have been no gains or losses.

Since business is conducted for profit, the four cases following are of especial importance. Gains are: (a) Increases in total assets; (b) Decreases in total liabilities. Losses are: (a) Decreases in total assets; (b) Increases in total liabilities. Mere changes in assets and liabilities which do not change the amount of the capital show neither gain nor loss.

CASE 5. When assets are increased without a corresponding increase of liabilities, a gain is made. Suppose we sell for \$500.00 cash, Mdse. which cost \$400.00. This increases the cash on hand \$500.00 and decreases the Mdse. on hand \$400.00. This being the case, the assets amount to \$100.00 more than before. A gain of \$100.00 has been made, and the capital account must be increased accordingly. The equation now stands

$$\text{Cash \$4000.00} + \text{Mdse. \$1600.00} = \text{Capital \$5100.00} + \text{Notes Pay. \$500.00}$$

NOTE. Gains of this kind are not recorded separately as shown above. The gain on Mdse. is computed in one sum when the Mdse. account is closed. The principle is the same, however. A gain is realized in fact whenever Mdse. is sold for more than it cost, even though no separate record of the amount of the gain is made at the time the sale is made.

CASE 6. When liabilities are decreased without a corresponding decrease of assets, a gain is made. Suppose that we pay the note for \$500.00 sixty days before it is due, securing a discount of \$5.00. This decreases the amount of cash on hand only \$495.00, whereas the liability on notes payable is decreased \$500.00. A gain of \$5.00 has been made, and the capital must be increased accordingly. The equation now stands:

$$\text{Cash \$3505.00} + \text{Mdse. \$1600.00} = \text{Capital \$5105.00}$$

CASE 7. When assets are decreased without a corresponding decrease in liabilities, a loss is incurred. Suppose we spend \$50.00 for expenses. This decreases the amount of cash on hand. Naturally the capital becomes less. The equation now stands

$$\text{Cash } \$3455.00 + \text{Mdse. } \$1600.00 = \text{Capital } \$5055.00$$

NOTE. The student understands, of course, that the capital account is not changed in the ledger after every transaction. The expense account is kept, and is periodically footed and the total deducted from the capital. The loss was incurred, nevertheless, when the \$50.00 was spent.

CASE 8. When liabilities are increased without a corresponding increase in assets, a loss is incurred. Suppose we have some work done for us by Brown for which he submits a bill for \$150.00 which we do not pay at the time. We have incurred a liability without increasing our assets, and there is a loss. This loss is charged to expense, thus reducing the amount of our capital, as previously shown. The equation now stands

$$\text{Cash } \$3455.00 + \text{Mdse. } \$1600.00 = \text{Capital } \$4905.00 + \text{Brown } \$150.00$$

It will be noted that in all of the four last cases a gain or loss has occurred, and that the amount of the gain or loss agreed in each case with the amount of the increase or decrease of some asset or liability. Since gains increase capital and losses decrease capital, and since the increase or decrease of capital exactly agrees with the increase or decrease of net assets, therefore the net gain of a business always agrees exactly with its increase of net assets, or the net loss exactly agrees with its decrease of net assets. The proposition that Assets = Capital has no exceptions. The amount of net assets changes from time to time, but as has been shown, the capital is also changed in each case, in the same way, and by the same amount.

Classification of Accounts

Every account exhibits certain facts and from these facts a certain final result is determined.

Accounts are divided as to results shown, into two classes. An account of one class shows as its result either an asset or a liability; an account of the other class shows either a loss or a gain. We call the former *financial* accounts. The latter we call *loss or gain* accounts. Every account with which you are familiar at this time falls into one of these classes and no account falls into both.*

The financial statement is made up from the results of financial accounts and inventories. The loss and gain statement is made up from the results of loss or gain accounts. From what has been shown, you will have no difficulty in deducing the following truth:

The net gain as shown by the loss and gain statement agrees exactly with the increase of net assets as shown by the financial statement, or if a loss be shown it agrees exactly with the decrease of net assets which the financial statement will show.

The Proof.† On the same sheet with your loss and gain statement, two or three lines below it, show a proof the form of which (but not the results) is shown on page 62.

*As elsewhere explained, inventories are *written in* loss or gain accounts, but these inventories, though they are exhibited in the accounts, are not *results*. An inventory is not a result of an account but is secured by an independent count and valuation. In the Mdse. account, for instance, the inventory after being ascertained is written in the account as one of the facts necessary for determining the final result of the account.

† This form to be omitted by students who use the two-page statement forms.

<u>Proof</u>	
Net capital Jan. 1, 191-	4676 25
Net gain as per Loss & Gain Stmt	??????
Net capital as per Financial Stmt	??????

PROBLEMS

1. Mr. A's capital on Jan. 1 was \$5768.50. During January he gained \$237.50. What was his capital on Jan. 31?
2. On Feb. 1 Mr. B was worth \$6725.90. During February he lost \$216.50. What was he worth on Feb. 28?
3. Mr. C's financial statement of Feb. 28 showed a net capital of \$7869.23. His financial statement of Mar. 31 showed a net capital of \$8123.65. What should his loss and gain statement for March show?
4. Mr. D's financial statement of Mar. 31 showed a net capital of \$9267.20. His financial statement of Apr. 30 showed a net capital of \$8923.67. What should his loss and gain statement for April show?
5. Mr. E's financial statement of Apr. 30 showed a net capital of \$10625.50. His financial statement of May 31 showed a net capital of \$11625.92. His total gains for May were \$1562.59. What were his losses for May?
6. Mr. F had total assets on June 30 amounting to \$18647.62. His financial statement of May 31 showed a net capital of \$11546.72. His loss and gain statement for June showed his net gain for June to be \$346.70. What were his liabilities on June 30?
7. Mr. G's net capital on June 30 was \$12650.75. His net capital on July 31 was \$13273.87. His losses for July were \$275.83. What was the total of his gross gains for July?
8. On Aug. 31, Mr. H's loss and gain statement showed a net loss for August of \$242.60. His financial statement of the same date showed assets amounting to \$10763.45. His net capital on July 31 was \$6746.32. What was the total of his liabilities on Aug. 31?
9. On Aug. 31, Mr. J's net capital was \$450.67. His loss and gain statement taken Sept. 30 showed gains amounting to \$343.60 and losses totaling \$987.56. His net capital on Oct. 31 was \$726.45. What net result was shown by his loss and gain statement for October?
10. Mr. K's net capital Oct. 31 was \$5467.80. On Nov. 15 he added \$1250.00 to his investment, and on Nov. 25 he withdrew cash, \$78.00. His net gain for November was \$462.75. His assets on Nov. 30 amounted to \$9467.20; what were his liabilities on Nov. 30?

LESSON XXI

CLOSING ONE ACCOUNT INTO ANOTHER

Open an Expense account on a loose sheet of ledger paper. Enter the following items directly in the account, without journalizing or posting. Omit explanations except in the closing entry:

Jan. 1, 191—. Paid by check for January rent, \$50.00. Jan. 2. Paid scrubwoman \$1.50 for work today. Jan. 3. Paid \$5.00 for postage stamps. Jan. 4. Paid the Daily News cash for advertising, \$15.50. Jan. 5. Paid for letter heads and envelopes, \$7.90. Jan. 5. Paid the clerk's salary for the week, \$10.50. Jan. 7. Bought postage stamps for cash, \$5.00. Jan. 8. Paid the janitor for extra work, \$4.50. Jan. 9. Inserted an advertisement in the Post for which we paid \$10.75 in cash. Jan. 12. Paid the clerk's salary for the week, \$10.50. Jan. 14. Bought \$5.00 worth of stamped envelopes. Jan. 15. Paid the printer cash for advertising circulars, \$12.50. Jan. 16. Railroad fare and other cash expenses on business trip, \$22.50. Jan. 17. Paid cash for new glass for broken show-case, \$8.00. Jan. 19. Paid the clerk's salary for the week, \$10.50. Jan. 21. The Daily News submitted a bill for advertising, which we paid in cash, \$14.00. Jan. 22. Paid for new locks for front and back door, \$2.60. Jan. 23. Paid boy for distributing circulars, \$1.50. Jan. 26. Paid the clerk's salary for the week, \$10.50.

After making all of the entries required for the foregoing transactions, close the expense account as of Jan. 31.

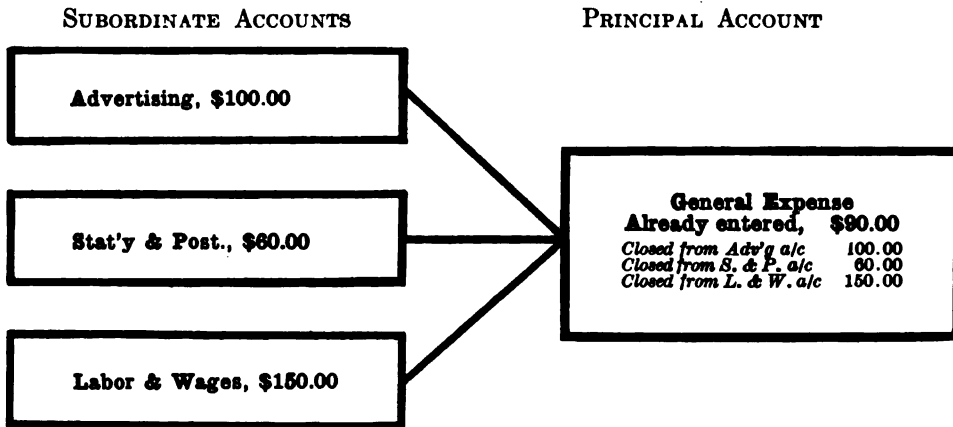
QUESTIONS

- What was the total of expenses for January?
- How much of this was spent for Advertising?
- How much was spent for Stationery and Postage?
- How much was paid out for Labor and as Wages?
- How much was spent for items other than Advertising, Stationery & Postage, and Labor & Wages?

Sometimes when it is considered desirable to know the exact cost of Advertising, Stationery & Postage, Labor & Wages, or any other distinct part of the expense of a business, separate accounts are opened in the ledger with these special titles. Items belonging in these special accounts are entered in them and not in the expense account. The title of expense account is changed to General Expense, and it receives only those items that can not be entered in one of the special accounts.

On another sheet of ledger paper, open four accounts, as follows, giving each one-fourth of a page: Advertising, Stationery & Postage, Labor & Wages, General Expense. Number the accounts 1, 2, 3 and 4, as if each were on a separate page. Make the entries in these four accounts for the January transactions previously given, entering each item directly in the account in which it belongs. (The item on Jan. 23 should be charged to Advertising.)

If these four accounts were each closed independently, each would show a loss. Each is an expense account, but in each is recorded only a part of the expenses. In order to find the total of all expenses for the month it would be necessary to add the four results. This result is secured in bookkeeping by *closing into* General Expense, which we call a *principal* account, the results of the other accounts, which we call *subordinate* accounts. Before considering the process by which this is accomplished, study the following diagram:



Supposing that the results of the above accounts are as shown in the diagram, it is apparent that when the subordinate accounts are closed and their results transferred to the principal account, General Expense, that account, which now shows a loss of \$90.00, will then show a loss of \$400.00, which sum represents the total expense of the business.

Process of Closing the Subordinate Accounts. Foot the debit side of the advertising account. Transfer the footing from the advertising account to the general expense account, as follows: Enter on the credit side of the advertising account, in red ink, the

amount transferred, with the explanation "General Expense," which shows the account to which the amount is transferred. This red ink entry should be dated to indicate the day the transfer was made (in this case, Jan. 31) and the folio column should show the ledger page to which the amount was transferred (L4). The amount transferred should then be entered in the general expense account, in black ink, with the same date (Jan. 31) and this entry should show in the folio column the ledger page from which the entry was posted (L1).

The two entries you have made, one on the debit side of the general expense account and another of exactly the same amount on the credit side of the advertising account, have not disturbed the balance of the ledger. Rule and foot the advertising account; its two sides just balance and it is now disposed of as far as your bookkeeping up to date is concerned.

The effect of this procedure has been to transfer to the debit side of the general expense account the exact amount which formerly appeared on the debit side of the advertising account.

191-		Advertising		191-		1.	
Jan. 14		15	50	Jan. 31	Gen'l Exp.	L4	542.5
9			10				
15			25				
21			14				
23			50				
			542.5				542.5

191-		General Expense		191-		4.	
Jan. 1			50				
16			22.50				
17			8				
22			26.9				
31	Advg	L1	542.5				
31	Staty & Postg	L2	???				
31	Labor & Wages	L3	??				

Close Stationery & Postage and Labor & Wages in exactly the same way. When all three accounts have been thus closed into General Expense, the latter will contain all the expenses of the business for the month, its last three items being in condensed form.

LESSON XXII

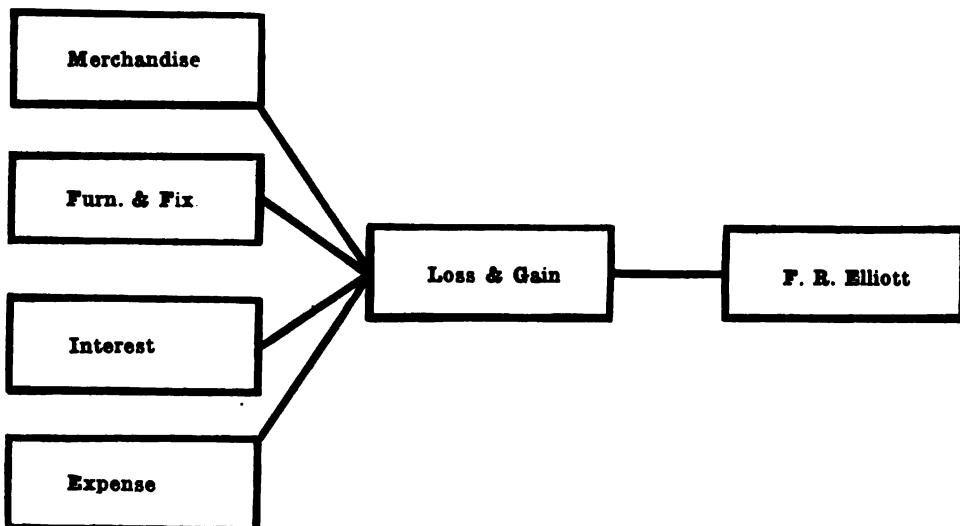
CLOSING THE LEDGER

If your financial statement and your loss and gain statement for F. R. Elliott's business have been approved, you are now ready to close the ledger.

Closing Financial Accounts. Close the following accounts with a balance: Cash, Notes Receivable, Notes Payable. Personal accounts, unless the debit and credit sides are equal, are left open. You are already familiar with the process of closing these accounts. Do not fail to bring all balances down in black ink, in each case onto the side opposite that on which the red ink entry appears. Use the date Jan. 31 for every closing entry and bring all balances down as of Feb. 1.

It should be noted that in each case the red ink entry on one side is exactly offset by the black ink entry brought down onto the opposite side. This preserves the balance of the ledger and leaves the preponderance of balance on each particular account just the same as it was before the closing was effected.

Closing Loss or Gain Accounts. Close the following accounts into the loss and gain account which you have already opened on page 7 of your ledger, after entering the inventories in red ink: Merchandise, Furniture & Fixtures, Expense, Interest. Use the date Jan. 31 for all closing entries, and bring all inventories down as of Feb. 1. These four loss or gain accounts are subordinate to Loss & Gain and are closed into it by the process explained in the special exercise in Lesson XXI. The loss and gain account is in turn closed into the proprietor's account. Study the following diagram:



In the special exercise in closing, Lesson XXI, there were entries on one side of the subordinate account only, in each case. When there are entries on both sides, as in F. R.

Elliott's interest account, the process of closing is the same as that formerly studied, but the amount transferred is the difference between the two sides. The red ink entry is always made on the smaller side of the account closed, thus balancing it; and the amount transferred to Loss & Gain is entered therein in black ink on the side opposite that on which the red ink entry was made, thus preserving the balance of the ledger. The result of the transfer is to take to the debit or credit side as the case may be, of the loss and gain account, the exact amount by which that side of the subordinate account exceeded the other before the closing. Ultimately, all the separate losses and gains are gathered into Loss & Gain, the result of which then exhibits the net loss or net gain of the business for the period of time since the ledger was last closed, or, in this case, since the beginning of business.

Since the various loss or gain accounts are being closed into the loss and gain account, the explanation "Loss & Gain" should be used in closing each of them and the ledger page upon which the loss and gain account is to be found should be written in the folio column. In making each entry in the loss and gain account, use as an explanation the name of the account transferred, and enter in the folio column the ledger page on which the closed account is to be found.

NOTE. Up to this point all entries in the ledger have been transferred from the same book (the journal), and for this reason nothing has been needed in the folio column except the page number, as it has always been understood that the entry originated in the journal. The entries in the loss and gain account, which do not originate in the journal, but are transferred from another page of the ledger, should be postmarked so as to indicate that they came from the ledger. The initial L. is used to indicate this.

Closing an Account Which Has an Inventory. If the account has a resource inventory (which is the only kind of an inventory you know anything about at this time) the inventory is entered on the credit side of the account before closing and after closing it is brought down upon the debit side. This is fully treated and illustrated in the exercise on the Mdse. account in Chapter I. It will be observed that the red ink inventory entered before closing and the black ink inventory brought down are of the same amount and on opposite sides of the ledger, thus preserving the equilibrium of the ledger.

Unless there are unposted items a correct ledger is never out of balance. For every debit (or debits) there is a credit (or credits) of equal amount. For every credit (or credits) there is a debit (or debits) of equal amount. This is true of closing entries as well as of entries for current transactions.

The separate losses and gains closed into the loss and gain account should correspond in detail with the separate losses and gains shown by the loss and gain statement.

Close the loss and gain account into the account of the proprietor, F. R. Elliott. The amount transferred should be the same as the net gain shown by the loss and gain statement. In making the red ink entry in the loss and gain account use as an explanation the name of the account to which the amount was transferred (F. R. Elliott) and write in the folio column the ledger page to which the amount is transferred. In making the black ink entry in F. R. Elliott's account use as an explanation the name of the account from which the amount is transferred (Loss & Gain) and write in the folio column the ledger page from which the amount is transferred.

Close F. R. Elliott's account with a balance. This balance should agree with the net capital shown by the financial statement.

Merchandise (Page 6)

191-		191-					
Jan. 2		20	81	Jan. 6		20	22 50
4		20	112 50	8		21	?? ??
7		20	275 50	9		21	?? ??
27		22	?? ??	11		21	?? ??
31		23	222 50	13		21	?? ??
31	Loss & Gain	57	186 31	15		21	?? ??
				20		21	?? ??
				28		22	?? ??
				29		22	?? ??
				31	Inventory		314 56
			731 06				731 06
Feb. 1	Inventory	✓	314 56				

Furniture & Fixtures (Page 6)

191-		191-					
Jan. 3		20	226	Jan. 20		21	52
14		21	?? ??	31	Inventory		3 50
				31	Loss & Gain	57	11 56
			413 50				413 50
Feb. 1	Inventory	✓	350				

Expense (Page 6)

191-		191-					
Jan. 4		20	15	Jan. 31	Loss & Gain	57	61
11		21	??				
18		21	??				
25		22	??				
			61				61

Interest & Discount (Page 7)

191-		191-					
Jan. 22		22	??	Jan. 24		22	?? ??
31	Loss & Gain	57	164	26		22	??
			164				164

Loss & Gain (Page 7)

191-		191-					
Jan. 31		26	11 50	Jan. 31		26	186 31
		26	61 00	31		27	109 45
31	F. R. Elliott	26	?? ??				187 76
			187 76				

PROPRIETOR'S ACCOUNT, CLOSED

F. R. Elliott (Page 6)

191-		191-	
Jan. 31	Balance	✓	??????
			Jan. 1
			31
			Loss & Gain
			\$7
			??????
			??????
			Feb. 1
			Balance
			✓
			??????

The explanation "Net capital" or "Net investment" or "Present worth" may be used in closing the proprietor's account, if desired, instead of the explanation "Balance" as shown in the above form.

BALANCE OF BALANCES

The ledger was in balance before closing. The equality of debit and credit was not departed from in a single instance in making the closing entries. Whenever any account was ruled, equal debit and credit totals were eliminated. It follows logically that the ledger is now in balance after closing. To test this, take a balance of balances in the form shown below. Note that although the personal accounts were left open, the balances only are shown. Write this on page 3 of your trial balance and statement book.

Balance of Balances, Feb. 1, 191-

6	<i>F. R. Elliott</i>		4791.51
6	<i>Mdse.</i>	314.56	
6	<i>Furn. & Fix.</i>	3.50	
7	<i>Cash</i>	??????	
7	<i>Notes Rec.</i>	???	
8	<i>H. E. Runyon</i>	???	
8	<i>L. V. Bradley</i>	???	
8	<i>Notes Payable</i>		????
8	<i>Dale & Allen</i>		???
		5179.76	5179.76

If the total of debit balances does not exactly equal the total of credit balances, some mistake has been made. To find it, check your balance of balances with the assets and

liabilities shown by your financial statement. The debit balances should correspond in detail with the assets shown in the statement. The credit balances should correspond in detail with the liabilities shown by the statement and the net capital (which, as has been remarked, is in a bookkeeping sense a theoretical liability). Even though your balance of balances shows the ledger to be in balance, it will be well to check it with your financial statement, as this will help you to see the resemblance that should exist between them.

The loss or gain accounts have all been closed into Loss & Gain, and that account closed into the proprietor's account. Since the net gain must agree with the increase of net assets, as you have learned, it is apparent that the proprietor's investment (net assets at the beginning) plus his gain (increase of net assets) must equal his net assets at present, as shown by the financial statement; or, in other words, the balance of the proprietor's account, or capital account, must equal the net capital shown by the financial statement. See the "proof" on page 62.

Since the ledger is in balance after closing, the balances of the different accounts are included in the next trial balance.

LESSON XXIII

SUMMARY AND CLASSIFICATION OF ACCOUNTS

The ledger is the book of accounts. Each account in it shows the result of some one part of the business. Accounts are of two classes as to result shown: (a) Financial Accounts; (b) Loss or Gain accounts.

Financial accounts are those which individually show the condition of certain parts of the business; collectively they show the condition of the business as a whole. The result of an account of this class is a balance, and when closed it is closed with a balance, which is either an asset or a liability.* Cash, Notes Receivable, Notes Payable, and personal accounts belong in this class. The results of the separate financial accounts, together with the inventories, constitute the data from which the financial statement is constructed.

Assets are things of value belonging to the business. An asset may be cash, property, or claims against others. Claims against others may be written (notes receivable) or on account. Liabilities are debts. They may be written (notes payable) or on account.

Loss or gain accounts are those which individually exhibit as a result the progress (loss or gain) of some particular part of the business; collectively they show the net loss or net gain of the business as a whole. Accounts of this kind close with either a loss or a gain.† Merchandise, Furniture & Fixtures, Expense, and Interest are accounts which belong in this class; there are many others.

*The Cash account must show an asset, unless it closes without a balance. The same is true of Notes Receivable. Notes payable must show a liability, if anything. A personal account may show either an asset or a liability.

†The expense account always shows a loss. The Mdse. account ought to show a gain in every case. A property account will usually show a loss, because property is subject to wear and tear. Interest, in an ordinary business, is much more likely to show loss than gain. Except as to the expense account, however, there can be no certainty (as far as the bookkeeper may know) that the result will be one way or the other. Other loss or gain accounts may be kept such as the character of the business may require or the desires of the proprietor may suggest. In this beginning course, only a few typical loss or gain accounts are kept.

While Cash, Notes Receivable, Notes Payable and personal accounts cover the financial accounts usually kept in an ordinary mercantile business, the loss or gain accounts vary widely in different lines of business. The expense account, as you learned in a previous chapter, is often subdivided, many subordinate expense accounts being kept in connection with a general expense account. In a mercantile business, a merchandise account is always kept, but it may be kept under some specific title, such as Boots & Shoes, Groceries, etc.; it may be subdivided to show separate results for separate departments, such as Green Groceries, Dried and Canned Goods, Staples, Bakery Goods, Meats, and Sundries, all closing into a general Mdse. account; or it may be subdivided into Mdse. Purchases, Mdse. Sales, and Mdse.-General; or in any other way which suits the particular requirements of the business or the wishes of the proprietor. What property accounts are kept will depend primarily upon what property is owned and secondarily upon how the proprietor may wish to classify it; he may consider it perfectly satisfactory to keep it all in one general Property account, or he may wish to keep a number of independent accounts.

Inventories must be taken into consideration in finding the results of loss or gain accounts. Whether or not there is an inventory for any particular account is a matter of fact, and what the amount of that inventory is, is a matter of fact or opinion. The books do not show these facts as to inventories. Their existence must be known, and their amount must be determined by count and valuation, estimation, or computation, as the case may be. You will learn more about inventories later, and in the meantime inventory figures will be given whenever necessary.

The results of the loss or gain accounts constitute the data from which the loss and gain statement is constructed.

The financial statement shows the separate assets and liabilities of the business and from these the condition of the business at the time of taking the statement is determined. If the assets exceed the liabilities, the amount of the excess of assets is the net capital, or net assets of the business. Should the liabilities exceed the assets, the business would obviously be unable to pay its debts—it would be *insolvent*. The result of the financial statement would be a net insolvency.

The loss and gain statement shows the separate losses and gains of the business and from these the net loss or net gain of the business is determined. This net loss or net gain is for the period of time between the last closing of the books and the date of the statement. If the gains exceed the losses, a net gain is shown for the period. If the losses exceed the gains, a net loss is shown for the period.

The net gain of a business always corresponds exactly with the increase of net assets, as is fully proved in Lesson XX. Consequently when the net gain for a certain period is added to the net capital at the beginning of the period, the result is the net capital at the end of the period, provided the proprietor has not increased his investment nor withdrawn any part of it.

The net loss of a business always corresponds exactly with the decrease of net assets. Consequently, when the net loss for a certain period is subtracted from the net capital at the beginning of the period, the result is the net capital at the end of the period, provided there have been no additions to or withdrawals from investment in the meantime. Should the net loss for the period exceed the net capital at the beginning of the period, the result would be an insolvency.

Should there be an insolvency at the beginning of a period, instead of a net capital, the gain for the period would decrease the amount of the insolvency; if there were a loss for the period, the amount of the insolvency would be increased. If the gain for the period were larger than the insolvency at the beginning of the period, the result would be the net capital at the end of the period.

Loss and gain statements are usually made annually or semi-annually in business; if made oftener, the burden of extra work would usually be too great considering the benefits derived; if made less frequently, the proprietor would not be kept in touch with the condition and progress of the business as closely as he should be. Such a statement could be made every month if desired.

It is customary to close the ledger after taking a loss and gain statement. If this were not done, the work would have to be done over again when the next statement was made. Suppose that a loss and gain statement were made on Jan. 31, for instance, covering the period from Jan. 1 to Jan. 31, and the books were not closed. If another loss and gain statement were made on Feb. 28, this statement would have to cover the period from Jan. 1 to Feb. 28. Naturally more time and labor would be required to prepare a statement covering two months than one. It is also apparent that the figures for January would have been gone over twice.

The ledger is closed as follows:

First: The financial accounts (all except the personal accounts*) are closed, the balances being brought down.

Second: The loss or gain accounts are closed into Loss & Gain.

Third: The loss and gain account is closed into the proprietor's account.

Last: The proprietor's account is closed with a balance.

Closing the loss or gain accounts in the ledger is sometimes accomplished through journal entries. To illustrate: Instead of closing the expense account with a red ink entry on the credit side and making a black ink entry of the same amount on the debit side of the loss and gain account an entry is made in the journal debiting the loss and gain account and crediting the expense account. When this entry is posted it is found that the expense account balances, and it is ruled to close. The debit item being posted to the loss and gain account, the condition of the ledger is the same as though the closing had been done directly in the ledger, as is the more general custom. State what you consider to be the advantages and disadvantages of both plans. Closing through the journal is more fully discussed on page 125.

Before making any further entries in it, the balance of the ledger should be verified either by taking a balance of balances, or by checking its balances as they stand with the separate assets and liabilities shown by the financial statement.

LESSON XXIV

EXERCISES IN MAKING STATEMENTS

Exercise 1

From the following amounts taken from D. B. Fisk's ledger and inventories, prepare a financial statement as of Jan. 31, 191—. Also make a loss and gain statement and proof. Use loose sheets.

*Some bookkeepers prefer to leave the notes receivable and notes payable accounts open, ruling them only when they balance, or when they are to be forwarded, treating them in this respect just as personal accounts are treated.

FOOTINGS FROM D. B. FISK'S LEDGER, JAN. 31, 191—

D. B. Fisk, Proprietor.....		5726 45
Furniture & Fixtures.....	500 00	
Merchandise.....	2390 00	560 00
Interest.....	43 55	69 33
Expense.....	275 44	
Cash.....	3203 25	
Notes Receivable.....	1900 25	
C. A. Faust.....	125 00	
H. J. Holm.....	56 50	
Notes Payable.....		459 00
Miner & Co.....		1159 21
Stephens & Hill.....		520 00
	8493 99	8493 99

Inventories: Mdse., \$2090.00. Furniture & Fixtures, \$485.00.

If the losses exceed the gains, the result is a net loss. In preparing the proof this must be deducted from the investment in order to find the net capital Jan. 31.

Exercise 2

From the balances and footings following, taken from the ledger of C. V. Rousch, Feb. 28, 191—, and the inventories below, prepare statements. Write a proof at the bottom of the loss and gain statement.

FOOTINGS FROM C. V. ROUSCH'S LEDGER, FEB. 28, 191—

C. V. Rousch, Proprietor.....		14134 45
Real Estate.....	10000 00	
Merchandise.....	4256 35	1253 75
Expense.....	272 65	
Interest.....	43 50	10 25
Cash.....	2405 65	1000 00
Notes Receivable.....	500 00	
H. A. Wasson.....	245 40	
Notes Payable.....		725 10
J. R. Hadley.....	50 00	650 00
	17773 55	17773 55

Inventories: Real Estate, \$9875.50; Mdse., \$3579.36; interest due on our notes payable, \$16.79.

Note that the interest inventory is an inventory of debt. This is called a liability in the financial statement. It is added to the debit side of the interest account in making the loss and gain statement.

Exercise 3

FOOTINGS FROM H. T. ADAMS' LEDGER, MAR. 31, 191—

H. T. Adams.....		12500 00
Real Estate.....	8500 00	
Merchandise.....	43000 00	44000 00
Expense.....	1260 00	
Interest.....	320 00	254 00
Cash.....	36000 00	33000 00
Notes Receivable.....	6460 00	
Accounts Receivable.....	5994 00	
Notes Payable.....		6000 00
Accounts Payable.....		5780 00
	101534 00	101534 00

Observe that the personal accounts are not listed separately. The accounts receivable have apparently been scheduled separately and the total only listed in the above trial balance. The same is true of the accounts payable.

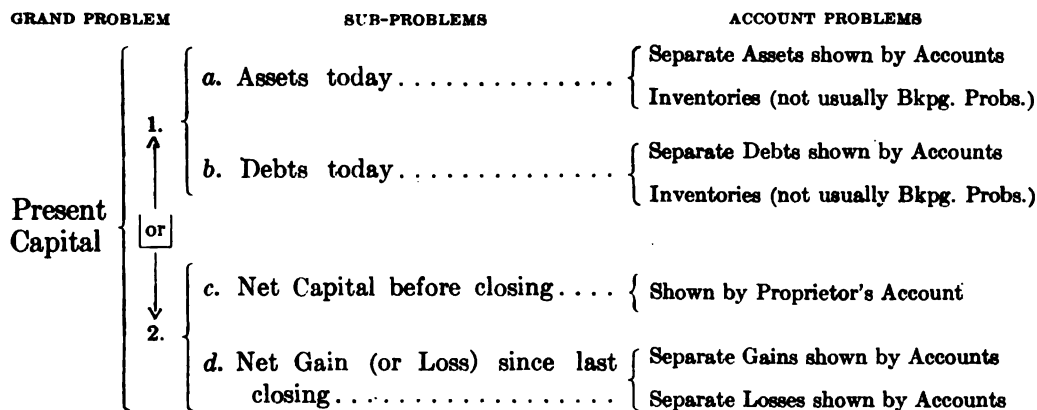
Inventories: Store and Lot (Real Estate), \$8000.00; Mdse., \$6000.00; Unexpired Insurance (which had been charged to Expense), \$125.00.

NOTE. Unexpired insurance is a resource inventory. It represents something of value which we still own, as it has never been used.

NOTE. It is not to be inferred that it is customary in business to prepare statements from the trial balance and inventories, for such is not the case. Careful accountants prefer to go back to the ledger for the information, thus avoiding one chance of error. Furthermore, the trial balance which is taken by differences (the customary plan) lack the necessary information as to amounts of purchases and sales of Mdse., totals of costs and returns on interest, etc.

The Problems of Bookkeeping

Bookkeeping consists of problems. Each account constitutes a separate problem. The results of these separate problems (and the inventories) furnish the data for the construction of larger problems, which in turn furnish the data necessary for the solution of the "grand problem," which is the present capital of the business. The outline below shows the relation of these problems to each other and to the grand problem.



Explanation. The results of the "account problems," combined with the inventories, constitute the data for the "sub-problems." The result of the "grand problem" can be determined from the data furnished by sub-problems *a* and *b* or from the data furnished by sub-problems *c* and *d*, and in double entry bookkeeping it is determined in both ways, the result being the same in either case.

CHAPTER V

SET TWO

LESSON XXV

TRANSACTIONS FOR FEBRUARY—RETAIL

Following are two months' transactions. Enter the transactions for February in your journal, post, and attend to the other duties of the bookkeeper, proceeding as follows:

1. Journalize the transactions of Feb. 1 to Feb. 13 inclusive. 2. Post the foregoing. 3. Take a trial balance as of Feb. 13. 4. Journalize the transactions of Feb. 16 to 27 inclusive. 5. Post the foregoing. 6. Take a trial balance as of Feb. 27. 7. Prepare statements. 8. Close the ledger. 9. Take a balance of balances.

Unless your teacher shall instruct otherwise, have your work approved at each of the above points before proceeding with the next step.

The accounts kept and the number of lines allowed for each, in addition to the line for the heading and the line for the year date, are as follows:

First Page	A. B. Moore, Proprietor	11 lines	Fifth Page	
	Real Estate	7 lines	Mrs. C. S. James, 6432 Yale Ave.	13 lines
	Furniture & Fixtures	10 lines	Mrs. T. J. Foster, 7221 Lowe Ave.	13 lines
	Horse & Wagon	9 lines	South Side Bakery, 7920 Normal Ave.	13 lines
Second Page	Merchandise	1 page	Sixth Page	
Third Page	Expense	15 lines	Mrs. Geo. E. Weeks, 5429 Drexel Boul.	9 lines
	Interest	12 lines	Notes Payable	9 lines
	Loss & Gain	12 lines	Jas. P. Smith & Co., 59 S. Water St.	10 lines
Fourth Page	Cash	30 lines	Sprague, Warner & Co., 600 W. Erie St.	9 lines
	Notes Receivable	11 lines		

The headings for the above accounts may be written in the ledger at this time, or you may do this just before posting on Feb. 13, as your teacher shall direct.

Condition of the Ledger at Beginning

Feb. 1, 191—. A. B. Moore is engaged in business at 6327 Englewood Ave. On this date his assets and debts are as follows: Cash on hand, \$1200.75; real estate, \$7500.00; furniture and fixtures, \$826.50; horses and wagons*, \$1627.50; Mdse. Invty., \$4326.75; he holds a 30-day note against F. A. Bright, dated Jan. 17, for \$250.00, with interest at 6%†; and accounts are due him as follows: Mrs. C. S. James, \$27.50; Mrs. T. J. Foster, \$36.25. There is outstanding against him a 60-day note in favor of Dan J. Hartnett & Co. for \$263.50, dated Jan. 19, with interest at 6%†; and he owes Jas. P. Smith & Co. on account \$275.00.

The foregoing assets and liabilities should show on A. B. Moore's ledger; and as you have learned, the balance of the capital account should be the difference between the assets and liabilities. Make the necessary entries in the ledger, dating all of them Feb. 1,

*If the delivery service were by Auto-truck or Delivery Auto, an account could be opened with either of these headings, instead of the Horse & Wagon account. At the present time, automobile delivery service by retail Houses is mostly confined to Houses having a large number of long hauls.

†Strictly speaking, accrued interest should be computed on both the note receivable and the note payable. Since these items amount to about the same, however, they are here omitted for the sake of simplicity and in order not to confuse the student at this early stage.

in each case using the explanation "Balance" or "Inventory," as may be proper. When this has been done, test the balance of the ledger before proceeding further.

TRANSACTIONS—SET TWO

191—.

Feb. 1. Sold to Mrs. C. S. James, 6432 Yale Ave., on account:*

2 lbs. golden Rio coffee, at 13¢	\$0.26	
1 lb. Orange Pekoe Ceylon tea	.80	
1 tin Bakers' Breakfast cocoa	.25	
1 bottle India curry powder	.14	\$1.45

The explanation in the journal consists of a list of the items and prices as shown above. The total shows in the money columns only. The words "Sold on account" may be omitted as superfluous, since the journal entry shows clearly what has taken place.

Feb. 3. Sold on account to Mrs. T. J. Foster, 7221 Lowe Ave.:

2 lbs. Penang cloves, at 55¢	\$1.10	
2 cans Royal Dutch mustard, at 12¢	.24	
2 bottles vanilla, at 20¢	.40	\$1.74

Feb. 4. Received a check from C. S. James for \$27.50, in settlement of the account against Mrs. C. S. James up to Feb. 1. You understand that this check is received as cash.

FORM OF CHECK

<i>(City and State)</i> Oct 28, 19	
FIRST NATIONAL BANK	
Pay to the order of <i>E. C. Davis</i>	\$ <u>1800⁰⁰</u>
<i>Eighteen Hundred ^{no}/₁₀₀</i>	Dollars.
No. <u>248</u>	<i>Wm. Wilson</i>

A check is a demand to pay money, drawn upon a bank by a person who has funds in the bank against which he is entitled to draw, made payable to a certain person named therein, or to bearer. Checks made payable to a certain person or his order must be endorsed by the person when they are transferred by him to another. Checks made payable to bearer need not be endorsed in order to be valid in the hands of a transferee, but often they are endorsed nevertheless; banks usually require endorsement of all checks deposited with them, whether they are drawn in favor of some certain person or in favor

*For variable price lists, see page 167. Make a copy of the prices in the list assigned you, and keep it before you for reference.

of the bearer. In the foregoing illustration Wm. Wilson, the drawer, orders the First National Bank to pay \$1800.00 to E. C. Davis or some one Davis may name.

Feb. 6. Bought from Jas. P. Smith & Co., 59 S. Water St., on account, 50 lbs. Orange Pekoe Ceylon tea, at 50¢, \$25.00.

Feb. 6. Cash sales for the week amounted to \$243.26. Make the entry as you would make it for a single cash sale, but with a proper explanation*.

Feb. 6. Paid salaries as follows in cash: Harry J. Myers, bookkeeper, \$18.00; Geo. N. Weber, salesman, \$12.00; Willie Smith, delivery boy, \$7.00†.

Feb. 9. The South Side Bakery, 7920 Normal Ave., bought on credit:

3 bottles Snyder's catsup, at 22¢	\$0.66	
2 lbs. Young Hyson tea, at \$1.00	2.00	
3 lbs. finest Santos coffee, at 17¢	.51	
12 lbs. Bakers' No 1 Premium cooking chocolate, at 38¢	4.56	
12 cakes Magic yeast, at 3¢	.36	\$8.09
		<hr/>

Feb. 9. Bought from Sprague, Warner & Co., on ten days credit:

40 lbs. Arabian Mocha coffee, at 19¢	\$7.60	
20 lbs. Young Hyson tea, at 66¢	13.20	
24 bottles India curry powder, at 10¢	2.40	\$23.20
		<hr/>

The terms of purchase must be given in the explanation. This rule must be observed whenever goods are purchased or sold on definite terms as to when or how settlement shall be made.

Feb. 9. Charged Mrs. C. S. James for goods delivered to her today as follows:

2 lbs. best Ceylon tea, at \$1.00	\$2.00	
2 lbs. Arabian Mocha coffee, at 27¢	.54	\$2.54
		<hr/>

Feb. 10. Paid cash for postage and stationery as follows. Stamps, \$10.00; 2 M letter heads, \$8.50; 2 M No. 6 envelopes, printed, \$2.50.

Feb. 10. Received a check for \$7.00 from the South Side Bakery, to be applied on account.

Use the explanation "On account." When cash is received on account it is important to know whether the money was intended to cover some particular bill or not. In this case, it was not.

Feb. 11. Received cash from Mrs. C. S. James to pay for the goods bought by her on Feb. 1, \$1.45.

Use the explanation "Our bill of Feb. 1."

*In a business having a large number of small cash sales (called petty cash sales) separate entries of each of such sales are not usually made. Instead the cash is rung up in a cash register as received and at the close of the day (not usually weekly as above) the total is entered as a single cash sale would be. Sometimes (especially when there is no cash register) the amounts of the petty sales are entered in a petty cash book, the total of which is periodically entered in the general books.

Mr. Moore sells mostly for cash, his only charge accounts being with a few boarding-house keepers and others who would buy in quantity the kind of goods he has for sale.

†This is charged to Expense, because we have but one general expense account. Many business men, wishing to know the exact cost of delivery service, would open a Delivery Expense account, charging to it all such items as feed for horses (or gasoline for auto), expenses for repairs, horse shoeing and veterinary's bills, and the salary of the delivery boy. This account would be subordinate to the general expense account, closing into it. Several subordinate accounts could be kept, if the business were large enough to justify it. One plan would be to keep the items of current expense in an account called "Delivery Expense," and the items of repairs and replacements in another account properly headed.

Feb. 12. Bought for cash one roll-top desk and one swivel chair, \$45.00.

Feb. 13. Finding that the deliveries can be taken care of with fewer horses and wagons, we sold the gray mare Nellie and one old delivery wagon (described as a Studebaker 1896 model, Style No. 23) to Robert Burnett for cash, \$450.00.

A bill of sale is usually given when property of this kind, to the value of a certain amount (the amount varies in different states), is sold. This is a formal document stating the terms of sale and describing the property sold.

Feb. 13. Cash sales for the week, \$236.75.

Feb. 13. Paid the salaries of the bookkeeper, salesman, and delivery boy in cash as on Feb. 6.

At this point you are to post and take a trial balance. This trial balance and all you will take hereafter will be taken by differences, not by footings. After posting all transactions up to this point proceed as follows: Foot each side of each ledger account, writing the total in small lead pencil figures just below the last item and close enough to it to leave room for what must be written later on the next line; then find the difference between the two totals and write it in the explanatory column, in small lead pencil figures, just opposite the footing of the column which shows the greater total; all as shown in the illustration of a personal account on page 33.

When all the ledger accounts have been footed in lead pencil in this manner, prepare your trial balance, listing the differences only. Thus, opposite the name of Mrs. C. S. James do not write the debit and credit totals of the account, but write the amount \$2.54, which is the difference between the two totals, in the debit column, since it represents the excess of the debit side.

The balance of the ledger has not been disturbed by the foregoing process, for it will be observed that in the case of each ledger account listed in the trial balance an equal amount has been deducted from each side.

Feb. 16. Delivered the following to Mrs. T. J. Foster, charging her account-

1 3-lb. tin Phillips' Digestible cocoa	\$2.00	
2 lbs. paprika, at 80¢	1.60	\$3.60

Feb. 16. Collected \$251.25 in cash from F. A. Bright, for his note due today, \$250.00, and interest for 30 days at 6%, \$1.25.

How to Forward an Account

When the money column on either side of a page becomes filled it becomes necessary to forward that account to some other page. You will use the following forms in forwarding accounts:

MERCHANDISE

(Page 77)

191—				191—						
Jan.	1	Inventory	✓	4250	65	Jan.	2	18	100	48
	5		23	250			8	29	56	72
	6		27	56	78		12	32	45	50
							15	35	29	62
							17	38	10	25
		Footing For'd	78	4557	43			78	242	57

MERCHANDISE

(Page 78)

191—				191—							
Footings	Brot.	For'd	77	4557	43	Footings	Brot.	For'd	77	242	57

In forwarding a personal account, close the account with a balance, forwarding the balance only. When forwarding a balance in this way, red ink is used for the balancing entry and black ink for the entry on the page to which the account was forwarded. In forwarding footings, no red ink is used, ordinarily.

Feb. 17. Bought from Sprague, Warner & Co., 600 W. Erie St., on account:

20 lbs. Penang cloves, at 36¢	\$7.20	
12 cans Royal Dutch mustard, at 8¢	.96	
24 bottles Snyder's catsup, at 14¢	3.36	\$11.52

Feb. 17. Gave Jas. P. Smith & Co. our 30-day note for \$300.00, dated today and bearing interest at 6%, to cover our account with them up to and including their bill of Feb. 6.

When this entry is posted it will be observed that Jas. P. Smith & Co.'s account exactly balances. Rule and foot the account at once, and hereafter follow the plan of ruling and footing personal accounts whenever they balance. Some bookkeepers simply rule a single line across the account, and omit the footings and double ruling, but you will close such accounts in the usual way until differently instructed.

Feb. 18. T. J. Foster gave us his 30-day note dated today, and bearing 6% interest, for \$41.59, the balance of his wife's account to date. Before making this entry, consult the ledger and the unposted items of the journal to see that the amount is correct.

When this entry is posted, it will be observed that Mrs. T. J. Foster's account balances. Rule and foot the account at once, as you did in the case of Jas. P. Smith & Co.'s account after posting the last entry.

When a note is received to cover the balance of a customer's account, the account itself is closed in the ledger, but the customer's obligation to pay is the same as ever. The note is a written acknowledgment of indebtedness and names a date on which payment will be made. The creditor can discount the debtor's note if he wishes to realize on it before the date of maturity. For these reasons the note is preferable to the account. The student must not get the impression that giving a note operates in the slightest degree to relieve the debtor, for on the contrary it makes his obligation even more definite.

Feb. 19. Paid Sprague, Warner & Co., in cash, the amount of their bill of Feb. 9, \$23.20.

Feb. 19. The South Side Bakery had the following goods delivered and charged to its account:

10 pkgs. Arm & Hammer brand soda, at 6¢	\$0.60	
3 lbs. cinnamon, at 60¢	1.80	
3 tins Van Houten's cocoa, at 73¢	2.19	\$4.59

Feb. 20. Bought on 30 days' credit from Jas. P. Smith & Co., 24 tins Van Houten's cocoa, at 56¢, \$13.44.

Feb. 20. Cash sales for the week, \$256.28.

Feb. 20. Paid the salaries in cash as on Feb. 6.

Feb. 23. Sold to G. E. Harms for cash 100 2¢ stamps. (This is a return on the expense account.)

Feb. 23. Sold to Mrs. T. J. Foster, on account:

2 bottles grated horseradish, at 12¢	\$0.24	
1 lb. best Ceylon tea	1.00	
3 lbs. golden Rio coffee, at 13¢	.39	\$1.63
		<hr/>

Feb. 24. Sold to Mrs. T. J. Foster on account 2 lbs. Orange Pekoe Ceylon tea, at \$1.00 a pound.

Feb. 25. Bought 50 bushels of oats, for horse feed, at 48¢, paying cash. (Debit Expense).

Feb. 25. Received \$1.63 in cash from Mrs. T. J. Foster to cover the bill against her of Feb. 23.

Feb. 26. Bought from Sprague, Warner & Co., on account:

20 lbs. cinnamon, at 40¢	\$8.00	
36 lbs. Baker's No. 1 Premium cooking chocolate, at 26¢	9.36	\$17.36
		<hr/>

Feb. 27. Paid Sprague, Warner & Co. \$11.52 in cash to cover the bill of goods bought from them ten days ago.

Feb. 27. Cash sales for the week, \$264.36.

Feb. 27. Paid the salaries in cash as on Feb. 6.

Inventories Feb. 28: Real Estate, \$7500.00; Furniture & Fixtures, \$867.50; Horse & Wagon, \$1170.00; Mdse., \$3879.23; accrued interest* on the following notes: T. J. Foster's note in our favor, \$41.59 from Feb. 18 to Feb. 27, 9 days at 6%, \$.06; our note of Jan. 19 in favor of Dan J. Hartnett & Co., \$263.50, 39 days at 6%, \$1.71; our note of Feb. 17 in favor of Jas. P. Smith & Co., \$300.00, 10 days at 6%, \$.50. The last two items of accrued interest are liability inventories, so called because they are inventories of debt. Their effect is to decrease the apparent gain of the interest account. You will learn more about liability inventories later. For the present treat them as follows: (1) List them among the liabilities in the financial statement. (2) Add them to the debit total of the account affected, when preparing the loss and gain statement. (3) In closing the interest account in the ledger, enter the total of interest liabilities on the debit side in red ink as an inventory before closing, and bring the same amount down below the rulings on the credit side.

Note that the inventory of real estate is unchanged. The real estate account will not affect the loss and gain statement, therefore, and nothing will be done to it in closing the ledger.

In preparing the financial statement, list the assets in the following order: Cash, Real Estate, Furn. & Fix., Horse & Wagon, Mdse., Notes Rec., Interest, Mrs. C. S. James, Mrs. T. J. Foster, South Side Bakery. This arrangement is in the order of *availability*, those assets being listed first which can the most quickly be made available as cash. The liabilities should be listed in the order of their *urgency*, those liabilities being listed first which are deemed the most pressing. List the liabilities as follows: Notes payable, Interest, Jas. P. Smith & Co., Sprague, Warner & Co. In preparing the loss and gain

*Some accountants prefer to call entries of interest inventories "adjustment" entries, since they represent items not now due us, but accrued interest which will be paid at a later date; and the purpose of such entries is simply to adjust the interest account so that it will accurately show the losses and gains for the period. Since these items are in effect the same as inventories, and are treated in the books just as inventories are treated, it is better for your present purposes to place them in the same class with property inventories. Throughout this text we shall refer to them as inventories.

statement, show the inventory of Mdse. Feb. 1 and the purchases for February as separate items, their sum being the total cost of Mdse.

The arrangement of accounts in the ledger is as follows*: Proprietor's account (the capital account); accounts showing loss or gain; the loss and gain account; asset accounts; liability accounts.

After taking a balance of the March 1 balances, check its items with the results shown by your financial statement.

PROBLEMS

1. On Jan. 1, 191—, Mr. A. invested \$10,000.00 in business. On Jan. 5 he withdrew \$50.00. His gain for January was \$217.65. What was the balance of the capital account on Jan. 31?
2. Mr. B. began business on Feb. 1, 191—, with an investment of \$5000.00. On Feb. 15 he increased his investment \$2500.00. His gain for the month being \$276.82, what was the business worth on Feb. 28?
3. Mr. C invested \$7500.00 on Mar. 1, 191—. On the 10th of the month he added \$2100.00 to his capital. On Mar. 20 he withdrew \$125.00 for personal use. The net loss of the business during March was \$325.60. What was the balance of the capital account on Mar. 31?
4. On April 1 Mr. D. began business with \$6500.00 cash. He withdrew \$75.00 on April 5. He added \$1000.00 to his investment on April 20. On April 22 he withdrew \$65.70 for personal use. On April 30 his financial statement showed that the business was worth \$7500.00. Was there a loss or a gain during April, and if so how much?
5. On May 31, Mr. E's loss and gain statement showed a profit of \$364.50 for the month. His financial statement showed that the business was worth \$8346.75 on May 31. During the month of May his personal withdrawals amounted to \$137.28, and the ledger shows that on May 15 he had put an additional \$1000.00 into the business. What was the balance of the proprietor's account on May 1?

LESSON XXVI

Continue the transactions of March, proceeding as follows:

- (1) Journalize the transactions of Mar. 1 to Mar. 13 inclusive.
- (2) Post the foregoing.
- (3) Take a trial balance as of Mar. 13.
- (4) Journalize the transactions of Mar. 15 to Mar. 31 inclusive.
- (5) Post the foregoing.
- (6) Take a trial balance as of Mar. 31.
- (7) Prepare statements.
- (8) Close the ledger.
- (9) Take a balance of balances.

Unless your teacher shall instruct otherwise, have your work approved at each step before proceeding with the next step.

TRANSACTIONS

191—.

March 1. A. B. Moore withdrew \$1000.00 cash for his personal use.

Mar. 1. Bought from Sprague, Warner & Co., for cash:

20 lbs. Penang cloves, at 36¢	\$ 7.20	
30 lbs. cinnamon, at 40¢	12.00	
30 lbs. Orange Pekoe Ceylon tea, at 57¢	17.10	
25 lbs. best Ceylon tea, at 68¢	17.00	\$53.30

We have an open account with Sprague, Warner & Co. and it is better to run this transaction through the ledger, even though it is for cash, so that the ledger will show all our transactions with them. You will therefore make two entries in your journal, one crediting Sprague, Warner & Co. for the amount of the purchase, the other debiting them for the payment. Since these entries will both be posted, Sprague, Warner & Co.'s account will show the complete transaction.

* Some accountants prefer to list the proprietor's account last, because it is in a bookkeeping sense a liability, and is the least urgent of the liabilities. Again, some accountants prefer to put the assets first in the ledger and the liabilities last, the loss or gain accounts coming between. In any case, it is customary to divide the ledger into sections, one section for each group, with plenty of blank pages in each section for new accounts.

Mar. 1. Sold to Mrs. C. S. James, on account:

3 lbs. Young Hyson tea, at \$1.05	\$3.15	
5 lbs. golden Rio coffee, at 25¢	1.25	
1 3-lb. tin Phillips' Digestible cocoa	2.00	
1 lb. paprika	.80	\$7.20

Mr. Moore opened an account with the First National Bank today and made a deposit of \$1000.00 of the cash on hand. This will not affect your bookkeeping. It simply means that from now on the cash will be kept in two places—part of it will be in the cash drawer and part of it will be in the bank. When checks are drawn against the money in the bank, this diminishes the cash on hand and you will make the entry for cash paid out, just as you would have made it had the cash been paid out from the cash drawer.

Mar. 2. Sold to Mrs. T. J. Foster, on account:

2 lbs. best Ceylon tea, at \$1.00	\$2.00	
6 lbs. Arabian Mocha coffee, at 27¢	1.62	
4 tins Baker's breakfast cocoa, at 25¢	1.00	
1 lb. cinnamon	.60	\$5.22

Desiring to determine whether it is economical for him to attend to his own deliveries, Mr. Moore asks you to prepare for him a statement showing all facts bearing upon the question. You find that the delivery boy makes on an average 30 deliveries a day; that feed for the horses costs 80¢ a day; that \$10.00 a month is paid for stable rent; that the salary of the delivery boy is \$7.00 a week; that the City Delivery Co., will contract to deliver all packages for 7½¢ each. Mr. Moore has an offer of \$1150.00 for his horses and wagons. Prepare a statement that will show him whether he should continue to make his own deliveries or not, assuming that the interest on money tied up in horses and wagons is worth 6%, and that the extra expense of maintaining horses and wagons is costing on an average at least \$10.00 a month.

Mar. 3. After considering the statement you prepared for him yesterday, Mr. Moore has decided to sell his horses and wagons, and to dispense with the services of the delivery boy after this week. He receives H. K. Wagner's 15-day note for \$1150.00 at 6% for the horses and wagons.

Mar. 4. Received \$2.54 from Mrs. C. S. James in settlement of the balance due us on Mar. 1.

Mar. 5. Charged Mrs. T. J. Foster, for Mdse. sold to her today,

4 bottles India curry powder, C. & B., at 15¢	\$0.60	
1 lb. Penang cloves	.55	
3 bottles Snyder's catsup, at 22¢	.66	
3 tins Van Houten's cocoa, at 73¢	2.19	\$4.00

Mar. 6. Cash sales for the week, \$227.50.

Mar. 6. Paid salaries as follows in cash: Harry J. Myers, bookkeeper, \$20.00; Geo. N. Weber, salesman, \$12.50; Willie Smith, delivery boy, \$7.00; total, \$39.50. Dismissed Willie Smith with a letter of recommendation, to which he was entitled, as he had always been a faithful and diligent worker, and only left because we had no further need of a delivery boy*.

*The practice of giving letters of recommendation to employees who have been discharged for incompetency, laziness, or unfaithfulness cannot be too strongly condemned. The employer who does this imposes on some other business man who hires the incompetent one on his recommendation; he does the worst thing in the world for the employee, who should understand that if he wants a recommendation, he should be worthy of it; and he proves himself unworthy of belief.

Mar. 8. Sold to the South Side Bakery on account,

12 cakes Magic yeast, at 3¢	\$0.36	
4 bottles vanilla, at 18¢	.72	
12 lbs. Baker's No. 1 Premium cooking chocolate, at 38¢	4.56	\$5.64

Mar. 8. Sold on account to Mrs. C. S. James,

3 bottles India curry powder, C. & B., at 15¢	\$0.45	
2 cans Royal Dutch mustard, at 12¢	.24	
3 pkgs. Arm & Hammer soda, at 6¢	.18	
3 bottles vanilla, at 18¢	.54	\$1.41

Mar. 8. Paid Sprague, Warner & Co., by check, the amount due them for Mdse. sold us on Feb. 26. This is a cash payment, as formerly explained. It settles our account with them in full.

Mar. 8. Sold to Mrs. T. J. Foster, on account,

3 lbs. Young Hyson tea, at \$1.05	\$3.15	
4 lbs. Arabian Mocha coffee, at 27¢	1.08	
5 3-lb. tins Phillips' Digestible cocoa, at \$2.00	10.00	
6 cakes Magic yeast, at 3¢	.18	
4 pkgs. Arm & Hammer soda, at 6¢	.24	\$14.65

Mar. 10. Sold on account to Mrs. Geo. E. Weeks, 5429 Drexel Boul.,

1 3-lb. tin Phillips' Digestible cocoa	\$2.00	
3 lbs. golden Rio coffee, at 13¢	.39	
1 lb. cinnamon	.60	\$2.99

Mar. 11. T. J. Foster gave us his 30-day note, bearing 6% interest, for the balance due us on our account against his wife, \$25.87.

After posting, rule up the account.

Mar. 12. Bought from Jas. P. Smith & Co. on 10 days credit,

12 doz. bottles India curry powder, at \$1.10	\$13.20	
6 doz. cans Royal Dutch mustard, at 90¢	5.40	
60 1-lb. pkgs. Arm & Hammer soda, at 4¢	2.40	\$21.00

Mar. 12. Sold to the South Side Bakery on account, 3 lbs. paprika, at 80¢, \$2.40.

Mar. 13. Bought from Reid, Murdock & Co., on our 30-day note at 6%,

60 lbs. Young Hyson tea, at 66¢	\$39.60	
64 lbs. best Ceylon tea, at 68¢	43.52	
120 lbs. finest Santos coffee, at 17¢	20.40	\$103.52

Mar. 13. Cash sales for the week, \$232.65.

Mar. 13. Paid the salaries of the bookkeeper and the salesman in cash as on Mar. 6. Deposited \$500.00 (no bookkeeping entry).

As previously noted, the deposit does not affect your bookkeeping, and no entry of it is made in your ledger. Records of deposits and checks are kept on the stubs of the check book, from which the balance in the bank may be determined at any time, and this added to the cash in the drawer will give the balance of cash on hand, which should agree with the balance of the cash account.

A bank account is sometimes kept in the ledger, and when so kept cash in bank is not considered the same as cash on hand. This plan is not often used, however.

NOTE.—Compare funds in the bank and in the cash drawer to money in the right-hand pocket and money in the left-hand pocket. Whenever money is received, whichever pocket it goes into, the cash on hand is increased. Whenever money is paid out, whichever pocket it is paid out from, the cash on hand is decreased. When money is transferred from one pocket to the other, the cash on hand is neither increased nor decreased. The sum of the amounts in the two pockets at any time is the cash on hand.

Mar. 15. Received \$5.00 cash from the South Side Bakery on account.

Mar. 16. Sold on account to Mrs. Geo. E. Weeks,			
2 lbs. cinnamon, at 60¢	\$1.20		
3 bottles Snyder's catsup, at 22¢	.66	\$1.86	
	<hr/>		

Mar. 17. Sold to Mrs. C. S. James, on account,			
3 lbs. finest Santos coffee, at 25¢	\$0.75		
1 lb. Van Houten's cocoa	.73		
3 bottles Snyder's catsup, at 22¢	.66	\$2.14	
	<hr/>		

Mar. 18. H. K. Wagner's note for \$1150.00 falls due today with 6% interest. Mr. Wagner is unable to take up the entire note at this time, but he pays the interest and \$650.00 of the principal by check, also giving his new note for \$500.00 for 60 days at 6%. We deposited the check.

Mar. 19. Bought on account from Jas. P. Smith & Co., 72 lbs. Van Houten's cocoa, 1 lb. tins, at 56¢, \$40.32.

Mar. 19. Paid by check our 30-day note in favor Jas. P. Smith & Co., due today, \$300.00, with interest at 6%, \$1.50. Amount of check, \$301.50.

Mar. 20. T. J. Foster paid his note of Feb. 18, \$41.59, and interest for 30 days at 6%, \$.21, in cash. Amount of cash received, \$41.80.

Mar. 20. Received a check for \$7.20 from Mrs. C. S. James in settlement of our bill against her of Mar. 1.

Mar. 20. Paid our note of Jan. 19 in favor of Dan J. Hartnett & Co., \$263.50, and interest for 60 days at 6%, \$2.64, by check. Amount of check, \$266.14.

Mar. 20. Cash sales for the week, \$241.63.

Mar. 20. Paid the salaries for the week as on Mar. 13.

Mar. 20. Mr. Moore deposited in the bank \$600.00 in cash and the check for \$7.20 received today. *Nota.*

Mar. 22. Gave Jas. P. Smith & Co. our check for \$34.44, to cover two bills due today.

Mar. 23. Sold to Mrs. Geo. E. Weeks on account 3 lbs. Young Hyson tea, at \$1.05, \$3.15.

Mar. 24. Purchased from Sprague, Warner & Co. on 10 days time,			
24 lbs. Penang cloves, at 36¢	\$8.64		
20 lbs. cinnamon, at 40¢	8.00	\$16.64	
	<hr/>		

Mar. 24. Sold to the South Side Bakery on account, 12 cakes Magic yeast, at 3¢, \$.36.

Mar. 25. Mrs. C. S. James paid her account in full in cash. To determine the amount due from her at this time refer to the ledger; then carefully inspect the unposted items in the journal.

After posting, rule up the account.

Mar. 26. Sold to Mrs. Geo. E. Weeks on account 5 lbs. Arabian Mocha coffee, at 27¢, \$1.35.

Mar. 27. Cash sales for the week, \$246.72.

Mar. 27. Paid the salaries as on Mar. 13.

Mar. 29. At Mr. Moore's request you paid by check Jay E. Emerson, agent for the Mutual Benefit Life Insurance Co., \$60.78, the amount of the premium due today on Mr. Moore's life policy No. 213469.

Mar. 31. Paid the City Delivery Co. in cash for 542 deliveries at 7½¢ each, \$40.65. Most of these deliveries were of goods sold for cash.

Mar. 31. Cash sales to date, \$132.56.

If you have trouble with your trial balance go over your work very carefully as suggested on page 52. If the error still remains undiscovered, it may be that your balances were not brought down correctly on Mar. 1. Check over your balances of Mar. 1 to see whether your error lies here. Unless your ledger was in balance at the first of the month, you cannot expect it to be in balance at the end.

Inventories, Mar. 31: Real Estate, \$7480.00; Furniture & Fixtures, \$860.00; Horse and Wagon, no inventory—close account to Loss & Gain; Mdse., \$3482.45; Expense, one-half of the weekly salaries of the bookkeeper and salesman, earned by them but unpaid, \$16.25—a liability inventory,* interest receivable accrued on T. J. Foster's note for \$25.87, dated Mar. 11 and bearing interest at 6%, \$.09; interest receivable accrued on H. K. Wagner's note for \$500.00, dated Mar. 18 and bearing interest at 6%, \$1.08; interest payable accrued on our note for \$103.52 in favor of Reid, Murdock & Co. dated Mar. 13, at 6%, \$.31.

Note that there are both resource and liability inventories of interest. Follow the instructions given at the end of the transactions for February, in handling these items in the statements and in closing the ledger.

The item of salaries earned and unpaid is a liability inventory to expense, or more exactly speaking, an adjustment entry the purpose of which is to make the expense account exhibit the exact cost of expenses for the month. When the red ink entry of \$16.25 is added to the debit side of the account, the total is the real total of expenses for the month. The \$16.25 is brought down onto the credit side of the expense account below the rulings and this acts as an offset to the \$32.50 that will be entered on the debit side on Apr. 3. The effect of this adjustment entry is to throw \$16.25 of the amount paid out for salaries for the week ending Apr. 3 into the month of March, where it belongs, while the rest of it (\$16.25, represented by \$32.50 on the debit side offset by \$16.25 on the credit side) appears as a charge against the month of April.

The "proof" which you prepare to show the agreement of the two statements should analyze the capital account, appearing in the following form:

PROOF		
Investment	March 1, 191—	\$***** **
Withdrawals	March 1.....	\$1000.00
	March 29.....	** ** **** **

Net investment		\$***** **
Net gain for March		*** **

Net capital March 31, 191—		\$***** **

*This should be listed first among the liabilities, as obligations of this kind take precedence over ordinary liabilities for goods purchased.

Prepare a record of transactions with the bank that will show what the balance in the bank should be at this time. From this and your cash account you can determine how much cash should be in the cash drawer.

LESSON XXVII

JOURNALIZING

Interest and Discount

Interest is the use of money for which consideration is paid. When one has the use of money belonging to another he must pay for that use. For convenience the money paid for interest is called interest money, or interest.* Discount is an allowance made for the prepayment of a debt not yet due. Thus, if A owes B \$1000.00 due on April 1, he should pay for interest if he allows the debt to run to May 1, but is entitled to discount if he pays it on March 1. There is no difference, as far as the bookkeeping is concerned, between the two, but it should be noted that interest paid in advance, or discount, is more expensive to the person making the allowance, because it is paid at an earlier date. If A borrows \$1000.00 from the bank for 60 days, allowing the bank to deduct \$10.00 at the time of the loan, he is not making as good a bargain as if he had borrowed \$1000.00 from some one who would permit him to keep the entire \$1000.00 for 60 days and then return it with \$10.00 for interest, because in the latter case A would have had the use of the \$10.00 for 60 days.

Do not forget, however, that there is no difference, as far as the bookkeeping entry is concerned, between interest and discount. When interest (or discount) costs the business, debit the interest account. When interest (or discount) produces returns or effects a saving for the business, credit the interest account. Interest and discount items are properly kept in the same account in the ledger, which may be called *Interest* or *Interest & Discount*.

An important source of revenue for banks is the loaning of money. The bank usually takes the note of the borrower, which must ordinarily be secured. The note is made out for the face of the loan and the borrower receives this amount less a discount. Again, a borrower instead of giving his own note may endorse to the bank a note which he holds signed by some other person, whereupon the bank will deliver to him or credit to his account the amount which the note calls for, less a discount. If the note is interest-bearing, the full amount of the note (face plus interest for the full time of the note) should be discounted. The interest may be computed at one rate and the discount at another.

Whether interest is due or not is a matter of agreement and of law; that is, interest accrues whenever there is an agreement, or a custom, or a law that demands it. Sometimes interest is due on accounts that are not paid on a certain date. When the rate of interest is not agreed upon, the legal rate will apply. This rate varies in different states. Interest at higher than a certain rate (which rate varies in different states) is called usury and a penalty for usury is usually provided by the law which defines it.

Do not confuse interest and discount with cash discount, which is an allowance for the prepayment of trading bills and is usually an arbitrary percentage deducted from the amount of the bill for payment before a given date. Cash discount is allowed not only that the seller may have the use of the money,

*This is not a correct use of the word interest, in a bookkeeping sense, for interest is the use of money, not the money paid for the use of money. Interest is a privilege for which money is paid. Thus, money is paid *for* interest, or money is reserved *for* interest, just as money is paid *for* rent, money is paid *for* insurance. We commonly say that we pay rent, pay insurance, or pay interest, but none of these expressions is correct. We pay cash (or something else of value) for rent, for insurance, or for interest.

but in order to reduce his risk in carrying accounts, and is comparatively liberal. Ordinary interest and discount is a small allowance based on use of money only, and time is an essential in computing it, whereas cash discount is not based upon exact time of use.

Journalize the following transactions. For convenience, you may omit the explanations in making these entries:

191—.

Jan. 1. Paid cash for my 6-month note in favor of Graham & Welsh for \$500.00 due today with interest at 6%.

Jan. 2. Henry E. Adkins paid cash for his note for \$450.00 in our favor due today with interest for 90 days at 6%.

Jan. 3. Received from the City Railways Co. semi-annual interest on \$1000.00 worth of 3% coupon bonds, in cash.

Jan. 4. Paid the quarterly interest on a \$5000.00 mortgage on our building, at 5%, in cash.

Jan. 5. Borrowed \$8000.00 from the First National Bank for 60 days. We gave them our note for the amount, and they discounted the note at 6%.

Jan. 6. Jas. E. Hawley discounted his 60-day note in our favor for \$400.00. The note was dated Dec. 7. It bore interest at 6% and was discounted at 5%.

First compute the interest for 60 days at 6% and add it to the face of the note. The amount so resulting is now to be discounted for 30 days at 5%. The result is the cash received. The difference between the cash received and the face of the note is to be credited to the interest and discount account.

Some accountants prefer to make two entries for interest in such a case, one crediting the interest and discount account for the full amount of the interest, and the other debiting the interest and discount account for the amount of the discount.

NOTE.—The verb "to discount" may be used in either two ways. It may mean "to sell at a discount" or it may mean "to buy at a discount." Thus we may say we discounted our note at the bank, or we may say the bank discounted our note, both expressions referring to the same transaction. This is a peculiarity of the language.

Jan. 16. We discounted at the bank H. N. Cannon's note in our favor. The note was for \$600.00, dated Jan. 1, bearing interest at 7%, and maturing 90 days from its date. Rate of discount, 4%.

Jan. 20. Paid C. L. Masters & Co.'s invoice of Dec. 6, \$180.00. The invoice was sold to us on 30 days' time, with interest at 6% payable after maturity.

Jan. 21. The Standard Mfg. Co. sent us its check in satisfaction of a judgment against it in our favor. We had brought suit for \$500.00 due us April 1 of last year on account. The court had allowed our claim and interest at 6% from April 1. Count time by exact days and figure interest on the basis of 365 days to the year*.

Jan. 23. Received cash from Howe & Watson for their note in our favor. The note was for \$625.00. It was dated November 24 and bore 6% interest.

Jan. 25. Received Geo. W. Booker's check for \$250.00 to apply on his note in our favor. The note was for \$680.00 at 5% and was dated Jan. 25 of last year, interest being payable annually. The payment was applied first to the interest due and then to the principal. The old note was taken up by Mr. Booker and a new note issued by him for the balance due.

*One of the most perplexing questions to the student is whether to count time by exact days or by compound subtraction and whether to compute interest on the basis of 360 or 365 days to the year. It is impossible to lay down a rule for this, because local customs govern and these customs differ in different localities. In general, the custom is to count by exact days on short loans (up to 90 days, or even longer periods of time when the time is expressed in days) and by months when the time is expressed in months. Custom requires that interest be computed on a basis of 360 days to the year ordinarily (12 months of 30 days each) as this makes computation easier. The policy of the law is usually that of exact justice to the cent, and for that reason interest on judgments and on obligations adjudicated in the courts is usually computed on a basis of 365 days to the year, time being counted exactly.

General Review of Journaling

Journalize the following transactions. For convenience, you may omit the explanations in making these entries:

EXERCISE 1

191—.

- Feb. 1. M. R. Greenleaf invested in business \$2500.00 in cash.
 Feb. 1. Paid cash for February rent, \$75.00.
 Feb. 2. Bought from J. N. Kimball on account Mdse. invoicing at \$560.00.
 Feb. 3. Sold Mdse. for cash, \$56.50.
 Feb. 5. Issued our note for \$150.00, due in 10 days at 6%, in favor of J. N. Kimball, to be applied on account.
 Feb. 6. Sold to H. K. Watts on account, goods billed at \$73.50.
 Feb. 8. Bought furniture and fixtures, including glass show-case for store, \$750.00. Paid \$250.00 in cash, and gave a 15-day note at 5% for the balance.
 Feb. 9. Paid J. N. Kimball \$125.00 in cash, on account.
 Feb. 10. H. K. Watts paid \$45.00 on account, in cash.
 Feb. 11. M. R. Greenleaf took \$25.00 in cash to pay a personal bill.
 Feb. 12. Sold L. A. Rochelle Mdse. on his 15-day note at 6%, \$165.50.
 Feb. 12. Paid in cash for 750 2¢ stamps.
 Feb. 15. Redeemed our note of Feb. 5 with accrued interest, in cash.
 Feb. 16. Sold three glass showcases, second-hand, to T. J. Murray for \$110.00. He paid \$10.00 in cash, and gave his 10-day note for the balance.
 Feb. 17. H. K. Watts returned Mdse. which we had sold to him for \$5.00, and we gave him credit.
 Feb. 18. Accommodated a friend with 100 2¢ stamps for which he paid in cash.
 Feb. 19. M. R. Greenleaf invested \$2000.00 more in the business, in cash.
 Feb. 20. Sold to B. M. Miller on account goods invoiced at \$135.00.
 Feb. 23. Our note dated Feb. 8 fell due this day. Redeemed it by giving a new note to cover the amount of the old note and interest.
 Feb. 27. L. A. Rochelle paid in cash the amount due on his note Feb. 12 and accrued interest.

EXERCISE 2

191—.

- March 1. C. D. Ross invested in business as follows: Cash, \$1750.00; stock of goods, \$1560.50; H. E. Randall's note in his favor, dated Jan. 20, for 60 days at 6%, \$780.50.
 Mar. 2. Bought from G. F. Harms Mdse. invoicing at \$472.00. Issued two notes to cover the amount due, as follows: Our 10-day note at 6%, \$250.00; our 30-day note at 6%, \$222.00.
 Enter the notes payable as two separate items. Why?
 Mar. 3. Sold to W. A. Hatfield on account Mdse. invoicing at \$387.50.
 Mar. 4. Discounted to Harris & Co. on account, J. E. Randall's 60-day note dated Jan. 20, for \$780.50. The note bore 6% interest, and was discounted at 5%.
 Mar. 5. Redeemed our 30-day note dated March 2 by paying Mr. Harms in cash the face of the note and interest to date at 6%.
 Mar. 6. Bought Mdse. on account from Parlin & Co., \$420.00.
 Mar. 8. Received W. A. Hatfield's 10-day note at 6%, for \$200.00, and cash for balance to cover our bill of Mar. 3.
 Mar. 9. Marshall Higgins, 6509 Ellis Ave., opened an account with us today by the purchase of Mdse. invoicing at \$126.75 on credit.
 Mar. 10. Borrowed \$2000.00 from the Second National Bank for 60 days, discounting our note at 6%.
 Mar. 11. Marshall Higgins delivered to us on account a note for \$100.00 which he held against W. H. Jones, dated Mar. 1, on which interest had accrued for 10 days at 6%.
 Mar. 12. Redeemed our 10-day note of Mar. 2 as follows: Paid Mr. Harms \$125.00 in cash to be applied first against the accrued interest and the balance against the principal; issued our new note for 30 days at 7% for the balance.

Mar. 13. Marshall Higgins returned for credit merchandise we had sold him for \$6.50, and gave his check for the balance due on the bill sold him Mar. 9. (Remember to allow for the note delivered to us Mar. 11 with accrued interest.)

Mar. 15. Gave Parlin & Co. our 15-day note at 6% for the invoice bought of them on Mar. 6.

Mar. 16. Borrowed \$1200.00 from the First National Bank on our 60-day note at 6%. The bank required us to pay the interest in advance; we paid this out of the \$1200.00.

Mar. 17. Discounted at the Second National Bank our 60-day note for \$800.00. Rate of discount, 6%.

Mar. 18. Presented for payment W. A. Hatfield's note of Mar. 8, and payment was refused. We had the note protested, for which service paid a notary public 25¢ as a protest fee. Debit W. A. Hatfield's account for the amount of the note, \$200.00, and credit the notes receivable account, thus taking the item off of the notes receivable account and putting it back into the personal account. Debit Hatfield's account for the 25¢. Make one entry for the entire transaction.

A protest is a formal statement, signed by a notary, to the effect that he has personally presented a paper for payment and that payment was refused. This definitely establishes the fact that the paper has been dishonored; it is usually necessary that protest be made and the endorser be notified before an endorser can be held liable.

Mar. 22. We secured a judgment against W. A. Hatfield for the amount due us, \$200.00 and interest for 14 days at 6%, plus 25¢ protest fee, and foreclosed on some property owned by him to satisfy our claim. The property was sold by an officer of the court for \$215.00, and of this amount \$30.00 was taken for court costs and legal fees. The remainder was turned over to us. There was no other property on which we could levy. This closes our account with W. A. Hatfield. The difference between the amount of the debt and the amount finally realized, is a loss, and the loss and gain account must be debited.

Mar. 30. Redeemed our note of Mar. 12 and interest to date, in cash.

EXERCISE 8

191—

Apr. 1. Discounted at the bank a non-interest-bearing 90-day note which we held against B. F. Adams. The note was for \$750.00 and was dated Mar. 14. The rate of discount charged by the bank was 6%.

Apr. 2. Discounted to R. L. McNeal a 90-day note in our favor dated Mar. 1 and signed by Robt. M. Halsted. The note was for \$625.00 and bore 6% interest. The rate of discount was 4½%.

Apr. 3. Redeemed in cash our note for \$500.00 in favor of Henry Van Vleet. The note was dated 90 days ago and bore 5% interest.

Apr. 4. On Feb. 3 we issued a note in favor of M. J. Morris for \$750.00 at 6% maturing May 4. Mr. Morris offered to allow us to discount this at 5% and we gave him our check for the amount due.

Apr. 5. Sold to D. C. Brown for cash a 60-day note which we held against S. W. Baxter. The note was for \$750.00, was dated Mar. 2, and bore 6% interest. Mr. Brown charged for discounting it at the rate of 5% a year.

Apr. 6. Harry K. Johns endorsed over to us on account a 60-day note signed by E. B. Hamilton. The note was for \$370.00, was dated March 17, and bore 7% interest. We accepted it at its face plus interest to date.

Apr. 7. Paid in cash F. O. Markham's invoice for merchandise amounting to \$285.50. The invoice was dated Feb. 1 and was sold on 10 days' time with the understanding that interest would be charged at the rate of 6% per annum after maturity.

Apr. 8. Our account against C. J. McAllister, amounting to \$163.50, fell due on Feb. 26 last, but we extended the time for payment on condition that Mr. McAllister would pay us 7% interest after maturity. McAllister paid his account and interest today.

Apr. 10. Discounted at the bank our 60-day note for \$920.00. Rate of discount, 5%.

Apr. 11. Loaned W. J. Castle \$100.00, accepting his 90-day note at 7%.

Apr. 11. Discounted for cash the note received from W. J. Castle today. The rate of discount was 4%.

Apr. 12. Bought from C. C. McLain merchandise invoiced at \$430.00. In exchange we transferred to him an account which we held against D. B. Potter, \$115.00, gave him our 30-day note at 6% for \$30.00, and paid him cash for the balance.

Apr. 13. W. F. Witmer transferred to us an account against Jackson & Co., \$78.20, and gave us his 60-day note at 6% for \$56.00, to apply on account.

Apr. 16. Bought from G. R. Tyrrell for cash a note which he held against Keefer & Co. for \$175.00. The note was dated Apr. 1 and bore 6% interest. We accepted it at its face plus interest accrued to date.

Apr. 17. Bought the business owned by Geo. W. McCaskrin paying him in cash the value of his total assets. His assets were: Store and lot, \$4900.00; stock of goods inventoried at \$4736.85; an account against L. O. Sherman, \$175.00; and a note signed by Jas. King, \$96.50, upon which interest had accrued for 97 days at 5%.

After completing the foregoing problems, prepare monthly statements for all accounts due March 31.

Monthly Statements to Customers

STATEMENT

CHICAGO, ILL. *Mar. 31 19--*

M. *C. E. Birch*

1224 Harrison St., City

IN ACCOUNT WITH **H. T. RAYNOR**

364 WABASH AVE.

19-					
	<i>Mar. 10 To Mds</i>			200 25	
	<i>28</i>			72	
				272 75	

STATEMENT

CHICAGO, ILL. *Apr. 30 19--*

M. *C. E. Birch*

1224 Harrison St., City

IN ACCOUNT WITH **H. T. RAYNOR**

364 WABASH AVE.

19-					
	<i>Mar. 31 Stat. rendered</i>			272 75	
	<i>Apr. 10 To Mds</i>			66 50	
	<i>28</i>			327 50	
				666 75	
	<i>Credits</i>				
	<i>Apr. 10 By note</i>			66 50	
	<i>25 cash</i>			272 75	
				339 25	
				327 50	

Test in Closing, No. 1

Accompanying your Blanks No. 1 you will find four pages of ledger accounts in the business conducted by T. J. Reeve.

1. Take a trial balance of this ledger as it stands.
2. Prepare statements, using the following inventories: Real estate, \$5450.00;

furniture and fixtures, \$720.00; merchandise, \$6577.52; wages unpaid (a liability inventory to expense), \$35.00; postage stamps on hand (a resource inventory to expense), \$4.00; interest due us on notes receivable, \$1.10; interest due others on notes payable, \$8.76.

3. Close all ledger accounts except the personal accounts.
4. Take a balance of the ledger as it stands after closing as above (balance of balances).

CHAPTER VI

CLASSIFICATION OF ENTRIES

LESSON XXVIII

THE SALES BOOK

If there were no other book of original entry than the journal, and if it were necessary to record in it separate debits and credits for each transaction, afterwards posting each one of these debits and credits separately to the ledger, bookkeeping would be a very monotonous thing and very tedious in a business of any magnitude. Fortunately, it is not necessary to adhere to this slow and tedious method. The great majority of transactions are not entered in the journal, but in some special book of original entry, transactions of the same certain kind being entered in the same book. This not only classifies the transactions, but through the arrangement of the entries in the books a great deal of the labor of writing and posting is saved. One book of original entry that helps the book-keeper to classify his transactions and economize his labor, is the *Sales Book*.

An examination of your journal as you have conducted it up to date will reveal the presence of many entries in which the merchandise account is credited. This entry occurs whenever merchandise is sold. The account debited may be different in each case, but the merchandise account is always credited. When such transactions are entered in the journal there are at least two items written (a debit and a credit) and two postings. When a sales book is kept, however, these transactions are omitted from the journal and entered in the sales book. The form of the sales book is much more simple, and it requires less posting, as you shall see.

Journalize the following transactions on loose sheets of paper, without explanations: 191—.

Oct. 2. Sold to Jno. R. Thompson, 1234 State St., on account, 3 leather-seated dining chairs, at \$8.50, \$25.50; 1 pedestal extension table, oak, \$40.00, total, \$65.50.

Oct. 3. Sold to Gus E. Ericson, 3949 N. Robey St., on account, 1 extension dining table, oak, \$27.50; 1 oak writing table, \$20.00; total, \$47.50.

Oct. 6. Sold to Harry K. Feldman, on his 10-day note at 6%, 1 white maple bed-room set, 3 pcs., \$126.50.

Oct. 9. Sold to Geo. W. Chambers, 1239 Main St., on account, 1 Mission china closet, \$87.75; 6 Mission oak dining chairs, at \$6.00, \$36.00; total, \$123.75.

When you have journalized the four transactions, compare your journal entries with the sales book entries on page 91.

FORM OF SALES BOOK, UNPOSTED

October 2, 191-

(L.F.)	(Account to be debited)	(Address)	(Terms)	(Items)	(Totals)
	Jno. R. Thompson	1234 State St.	On ⁴ / ₁₀		
	3 leather-seated dining chairs		\$8 ⁰⁰	25 50	
	1 pedestal extension table, oak			40	65 50
		3			
	Gus E. Ericson	3949 N. Robey St.	On ¹⁰ / ₁₀		
	1 extension dining table, oak			27 50	
	1 oak writing table			20	47 50
		6			
	Notes Rec.	Harry K. Feldman, 10 ds., 6%			
	1 white maple bedroom set, 3 pcs.				126 50
		9			
	Geo. W. Chambers	1239 Main St.	On ⁴ / ₁₀		
	1 Mission china closet			87 75	
	6 Mission oak dining chairs		6 ⁰⁰	36	123 75
		9			
	Mdse. Cr. for total				363 25

Explanation. In entering the sales in the sales book, it is always understood that *Merchandise* is the account credited. Hence it is only necessary to state the account to be debited without stating in each case that the merchandise account is credited. The form shown is self-explanatory. The separate amounts are later posted to the debit side of the accounts named, and the total posted to the credit of the merchandise account at the end of the month or other period. It is improper to insert folios except at the precise moment of posting, hence the folios are not shown in the above unposted form.

QUESTIONS

What is the amount of the debit to the account of Jno. R. Thompson as shown in your journal? In the sales book?

What is the amount of the debit to the account of Gus. E. Ericson as shown in your journal? In the sales book?

What is the amount of the debit to the account of Notes Receivable as shown in your journal? In the sales book?

What is the amount of the debit to the account of Geo. W. Chambers as shown in your journal? In the sales book?

How do the debits in your journal compare with the debits in the sales book?

What four credits to the merchandise account are shown in your journal?

What is the amount with which the merchandise account is credited as shown in the sales book? How was this amount secured?

How does the single merchandise credit in the sales book compare with the total of the four merchandise credits in your journal?

Process of Posting from the Sales Book

The separate entries are posted to the debit side of the account named, the total only being entered in the ledger for each sale. As each is entered the ledger page to which it was posted is entered in the L. F. column of the sales book and the sales book page is noted in the ledger. Periodically, usually once a month, the sales book *Totals* column is footed, and the amount of the footing posted to the credit of the merchandise account. When this entry is made, the ledger page to which the item was posted is entered in the sales book, and the sales book page is noted in the ledger.

Form of Sales Book

This is usually as shown in the model. The dates are sometimes written in the narrow column at the extreme left. The student, unless otherwise instructed, will always follow the forms shown in this book.

QUESTIONS

How many debits are posted from your journal entries of the four transactions? How many credits? How many postings all told?

How many debits are posted from the sales book entries shown in the model form? How many credits? How many postings all told? How many postings saved?

How many debits would be posted from 100 journal entries of sales? How many credits? How many all told?

How many debits would be posted from 100 sales book entries? How many credits, if all were in the same month and the sales book total were posted monthly? How many postings all told? How many postings saved?

About what percentage of the labor of posting sales is saved when a sales book is used instead of a journal?

What line of writing is saved in every sales book entry? How many times is the total of a sale written in a journal? In a sales book?

It is not to be assumed that the saving in labor of writing and posting is the only advantage or even the principal advantage of a sales book. The total of the sales for the month is in itself information which is valuable and it would not always be easy to get this from the ledger if sales were posted separately. When a sales book is kept, the amount of sales for the month, week, or day can be very easily ascertained. Often the recording of sales is attended to by one person, and the general bookkeeping by another, either because the volume of transactions recorded requires the services of two persons, or for some other reason. In such a case, the advantages of a separate sales book are apparent.

Sometimes records of sales are kept on the original order sheet or sale ticket and posted from these slips to the debit side of the accounts of the individual purchasers, the total being computed on a separate sheet called the "recapitulation sheet," from which it is posted to the credit of the merchandise account.

Make the sales book entries for the following transactions, heading the page "Sales Book, November 1, 191—." Then post the entries and take a trial balance. As each item is posted, write in the L. F. column of the sales book the page of the ledger to which

it is posted, and in the ledger indicate the sales book page, using the abbreviation S (to indicate *Sales Book*) just to the left of the folio column, as shown in the following illustration:

Geo. H. Hill
1239 S. Water St.

Nov. 1		S	49	6675					
--------	--	---	----	------	--	--	--	--	--

TRANSACTIONS

191—.

Nov. 1. Sold to Geo. H. Hill, 1239 S. Water St., on account, 10 brls. winesap apples, at \$4.50, \$45.00; 5 brls. greenings, at \$4.35, \$21.75; total, \$66.75.

Nov. 2. Sold to H. G. Wells, 1436 Lake St., on account, 12 brls. Burbank potatoes, at \$3.90.

Nov. 3. Sold to J. R. Hadley, on his 30-day note without interest, 15 brls. northern spy apples, at \$5.50, \$82.50; 12 brls. Spitzenbergs, at \$6.00, \$72.00; total, \$154.50.

Nov. 4. Sold to H. G. Wells, on account, 9 brls. Ben Davis apples at \$4.75, \$42.75.

Nov. 5. Sold to G. C. Claybaugh, on his non-interest-bearing note at 15 days, 12 baskets California Bartlett pears, at \$1.10, \$13.20; 8 brls. maiden blush apples, at \$4.30, \$34.40; total, \$47.60.

Nov. 6. Sold to Geo. H. Hill, on account, 10 brls. Burbank potatoes, at \$3.90, \$39.00; 10 bu. Michigan peaches, at 75¢, \$7.50; total, \$46.50.

Nov. 8. Sold to H. G. Wells, on account, 8 brls. northern spy apples, at \$4.50, \$36.00.

Having posted all the above items to the debit of the individual accounts, and the total to the credit of the merchandise account, you will find that your ledger is in balance. Test this for yourself, using loose sheets.

LESSON XXIX

THE CASH BOOK, DEBIT SIDE

Journalize the following transactions on loose sheets of paper, without explanations:
191—.

Oct. 1. F. P. Norbury, proprietor, invested in business \$5000.00 in cash.

Oct. 5. Received from Jno. R. Thompson, on account, \$50.00 in cash.

Oct. 10. Gus E. Ericson paid us \$25.00 on account.

Oct. 16. Received cash from Harry K. Feldman to cover his note of Oct. 6 in our favor, \$126.50, and interest on it for 10 days at 6%, \$.21.

Oct. 19. Received cash from John R. Thompson to complete the payment of our bill against him of Oct. 2, \$15.50.

When you have completed journalizing the foregoing transactions, carefully compare your journal entries with the entries shown in the form on page 94 headed "Cash Dr."

DEBIT SIDE OF THE CASH BOOK, UNPOSTED

		<i>Cash Dr.</i>			
(Date)	(L.F.)	(Account to be credited)	(Explanation)	(Amount)	(Total)
Oct.	1	F. P. Norbury	Investment	5000	
	5	Jno. R. Thompson	On account	50	
	10	Gus E. Ericson	On account	25	
	16	Notes Rec.	Harry K. Feldman's note 1/2%	126 50	
	16	Interest	On above, 10 ds. at 6%	21	
	19	Jno. R. Thompson	Bal. of bill of Oct. 2.	15 50	
			<i>Total receipts</i>		5217 21

NOTE—The second account credited on Oct. 16 may be called *Interest* or *Interest & Discount*.

Explanation. The above form is the left-hand page of the cash book, which extends across two pages, a left and a right. As you will note from the explanatory headings, items of Cash Dr. are entered on this page. Such items are omitted from the journal. We indicate in the cash book the name of the account to be credited. Cash is debited in each case, from the very fact of the entry of the amount on this page.

QUESTIONS

How much is the account of F. P. Norbury to be credited as shown by the entry in your journal? In the cash book?

How much is the account of Jno. R. Thompson to be credited as shown by the entry in your journal? In the cash book?

How much is the account of Gus. E. Ericson to be credited as shown by the entry in your journal? In the cash book?

How much is the Notes Rec. account to be credited as shown by the entry in your journal? In the cash book?

How much is the interest account to be credited as shown by the entry in your journal? In the cash book?

How much is the account of Jno. R. Thompson to be credited as shown by the entry in your journal? In the cash book?

How do the credits in the Cash Dr. form above compare with the credits in your journal?

What six debits to the cash account do you find in your journal? What is the sum of the six debits to the cash account which your journal shows?

What is the total of the six debits to the cash account in the form above?

Process of Posting from the Debit Side of the Cash Book

The separate entries are posted to the credit side of the accounts named. The total might be posted to the debit side of a *Cash* account in the ledger, thus preserving the

equality of debit and credit in the ledger, but this, though sometimes done, is not customary. The same result is secured by simply considering the cash book as a part of the ledger for the purpose of taking a trial balance.

Only one side of the cash book is shown above and this is self-explanatory as to form.

Make the cash book entries for the following transactions on the first left-hand page of your cash book, heading the page "Cash Dr." Then post the entries, using loose ledger sheets, and take a trial balance, which should include the Cash Dr. total. As each entry is posted, indicate in the L. F. column of the cash book the ledger page to which it was posted, and in the ledger indicate the cash book page, using the initial C to indicate "Cash Book." This initial should be written just to the left of the folio column in the ledger, as previously illustrated for the initial S used in posting from the sales book.

191—.

- Dec. 1. A. B. Doyle, proprietor, invested in business cash, \$7000.00.
- Dec. 2. Received from J. H. White, on account, his check for \$213.50.
- Dec. 3. G. V. Black gave us his check for \$42.75 in settlement of our bill against him of Nov. 23.
- Dec. 4. A. B. Doyle increased his cash investment \$1000.00.
- Dec. 5. J. H. White paid \$100.00 on account in cash.
- Dec. 6. Received G. V. Black's check for \$20.20 in settlement of our bill against him of Nov. 26.
- Dec. 9. Mr. Doyle took in a partner, C. V. Henley, who invested \$1000.00 in cash.
- Dec. 10. Received cash for Henry Altman's note of Nov. 10, \$500.00, due today with interest for 30 days at 6%, \$2.50.
- Dec. 11. Received a bank draft from G. V. Black on account, \$100.00.
- Dec. 12. J. H. White endorsed over to us on account an express money order for \$50.00.
- Dec. 13. Each partner increased his investment \$1000.00 in cash.
- Dec. 15. G. V. Black gave us his check for \$12.75 in full of his account to date.
- Dec. 16. Received W. L. Millard's check for \$202.00, in settlement of the note we held against him for \$200.00, maturing this day with interest accrued for 60 days at 6%.

LESSON XXX

THE CASH BOOK, CREDIT SIDE

Journalize the following transactions on loose sheets of paper, without explanations:
191—.

- Oct. 1. Paid the rent for October by check, \$70.00.
- Oct. 2. Bought from the Sterling Furniture Co., for cash, their invoice of merchandise No. 2675, \$276.60.
- Oct. 4. Bought merchandise for cash, Palmer & Anderson's invoice No. 927, \$364.20.
- Oct. 6. Paid in cash the bookkeeper's salary for the week ending today, \$18.00.
- Oct. 8. F. P. Norbury, the proprietor, withdrew in cash for his personal use \$25.00.
- Oct. 13. Paid the bookkeeper's salary in cash as on Oct. 6.
- Oct. 18. Paid cash for office letterheads and envelopes, \$7.80.

Oct. 19. Bought merchandise for cash from The Hoffman Co., their invoice No. 1348, \$225.60.

Oct. 20. Paid the bookkeeper's salary in cash as on Oct. 6.

When you have completed journalizing the foregoing transactions, carefully compare your journal entries with the entries in the form shown below headed "Cash Cr."

CREDIT SIDE OF THE CASH BOOK, UNPOSTED

		<i>Cash Cr.</i>				
(Date)	(L.F.)	(Account to be debited)	(Explanation)	(Amount)	(Total)	(Total)
Oct.	1	Expense	Rent for Oct. 191-	70		
	2	Mdse.	Sterling Turn. Co's Inv. #247	276 60		
	4	Mdse.	Palmer & Anderson's Inv. #927	364 20		
	6	Expense	Bkpr's Saly wks. ending 10/6	18		
	8	F. O. Norbury	Withdrawal	25		
	13	Expense	Bkpr's Saly wks. ending 10/13	18		
	18	Expense	Office letterheads & enr.	7 80		
	19	Mdse.	The Hoffman Co's Inv. #1348	225 60		
	20	Expense	Bkpr's Saly wks. ending 10/20	18		
			<i>Total payments</i>			1023 20

Explanation. The above is the right-hand page of the cash book, which as previously stated extends across two pages, a left hand and a right. As you will note from the explanatory headings, items of Cash Cr. are entered on this page. Such items are omitted from the journal. We indicate in the cash book the name of the account to be debited. Cash is credited in each case, from the very fact of the entry of the item on this page.

QUESTIONS

How much is the expense account debited, in the first entry in your journal? In the cash book?
 How much is the merchandise account debited, in the second entry in your journal? In the cash book?
 How much is the merchandise account debited, in the third entry in your journal? In the cash book?
 How do the separate debits as noted in the form above compare with the separate debits in your journal?

What is credited in each case in your journal?

What is the total of all the cash credits as shown by your journal?

What is the total amount credited to the cash account as indicated above?

Process of Posting from the Credit Side of the Cash Book

The separate entries are posted to the debit side of the accounts named. The total might be posted to the credit side of a *Cash* account in the ledger, thus preserving the equality of debit and credit in the ledger, but this, though sometimes done, is not customary. The same result is secured by simply considering the cash book as a part of the ledger for the purpose of taking a trial balance.

Make the cash book entries for the following transactions, on the first right-hand page of your cash book, that is, just opposite the "Cash Dr." page which you have written, heading the page "Cash Cr." Then post the entries to loose sheets and take a trial balance, which should include the Cash Cr. total. As each entry is posted, indicate in the L. F. column of the cash book the ledger page to which it was posted, and in the ledger indicate the cash book page, writing the initial C, to indicate the book from which the entry was posted, just to the left of the folio column.

191—.

- Dec. 1. Paid the rent for December by check, \$85.00.
- Dec. 2. Bought from Stearns & Morris, terms net cash, their invoice No. 3214, \$167.20.
- Dec. 2. Harmison & Co. sold us Mdse. valued at \$265.20, as per their invoice No. 4576. We gave them our check in payment.
- Dec. 4. Paid cash for 500 2¢ stamps.
- Dec. 5. Paid the salary of the bookkeeper for the week ending Dec. 5, in cash, \$20.00.
- Dec. 7. Paid by check for our note in favor of Hough & Co. and accrued interest. The note was for \$250.00 and interest had accrued on it for 60 days at 6%, \$2.50.
- Dec. 8. The proprietor, A. B. Doyle, withdrew \$30.00 in cash for his personal use.
- Dec. 10. Paid for 2 M letterheads and envelopes in cash, \$15.50.
- Dec. 12. Paid the bookkeeper's salary as on Dec. 5.
- Dec. 14. Bought Mdse. for cash, \$240.00. (Potash & Perrin's invoice No. 3261.)
- Dec. 15. Paid the janitor in cash \$5.00, for special services.

LESSON XXXI

EXERCISE ON SALES BOOK AND CASH BOOK

Enter the following transactions in the sales book and cash book:

191—.

- Oct. 1. F. P. Norbury, proprietor, invested in business \$5000.00 in cash.
- Oct. 1. Paid rent for October in cash, \$70.00.
- Oct. 2. Bought merchandise from the Sterling Furniture Co., for cash, their invoice No. 2675, \$276.60.

It is not necessary to itemize in the cash book the merchandise purchased, because we have the original invoice, which we will keep on file.

Oct. 2. Sold to Jno. R. Thompson, 1234 State St., on account, 3 leather-seated dining chairs, at \$8.50, \$25.50; 1 pedestal extension table, oak, \$40.00; total, \$65.50.

Oct. 3. Sold to Gus. E. Ericson, 3949 N. Robey St., on account, 1 extension dining table, oak, \$27.50; 1 oak writing table, \$20.00; total, \$47.50.

- Oct. 4. Bought merchandise for cash, Palmer & Anderson's invoice No. 927, \$364.20.
- Oct. 5. Received cash from Jno. R. Thompson on account, \$50.00.
- Oct. 6. Sold to Harry K. Feldman, on his 10-day note at 6%, 1 white maple bedroom set, 3 pcs., \$126.50.
- Oct. 6. Paid the bookkeeper's salary for the week ending today, in cash, \$18.00.
- Oct. 8. F. P. Norbury withdrew for his personal use \$25.00 in cash.
- Oct. 9. Sold to Geo. W. Chambers, 1239 Main St., on account, 1 Mission china closet, \$87.75; 6 Mission oak dining chairs, at \$6.00, \$36.00; total, \$123.75.
- Oct. 10. Received cash from Gus. E. Ericson, on account, \$25.00.
- Oct. 11. Sold to Jno. R. Thompson, on account, 2 brass beds No. 2104, at \$32.00, \$64.00; 2 hair mattresses, at \$17.25 each, \$34.50; total, \$98.50.
- Oct. 13. Paid the bookkeeper's salary in cash as on Oct. 6.
- Oct. 16. Harry K. Feldman gave us his check for \$126.71 to redeem his note of Oct. 6, \$126.50, and interest for 10 days at 6%, \$.21.
- Oct. 17. Sold to Gus. E. Ericson, on account, 1 colonial mahogany pedestal, \$52.50; 1 mission arm chair, \$24.25; total \$76.75.
- Oct. 18. Paid for office stationery and envelopes in cash, \$7.80.
- Oct. 19. Sold to Geo. W. Chambers, on account, 1 oak extension dining table, \$18.75; 6 oak dining chairs, at \$2.25, \$13.50; total \$32.25.
- Oct. 19. Received cash from Jno. R. Thompson to complete the payment of our bill against him of Oct. 12, \$15.50.
- Oct. 19. Bought merchandise for cash from The Hoffman Co., their invoice No. 1348, \$225.60.
- Oct. 20. Paid the bookkeeper's salary in cash as on Oct. 6.
- Oct. 22. Sold to F. N. Wright on his 30-day note at 6%, the following items for his new hotel:
- | | | | |
|-------------------------|-------------|---------|----------|
| 3 oak dining tables, | at \$12.25, | \$36.75 | |
| 12 oak dining chairs, | at 2.50 | 30.00 | |
| 4 pine kitchen tables, | at 2.75, | 11.00 | |
| 6 brass beds, No. 2675, | at 9.60, | 57.60 | |
| 6 cotton mattresses, | at 2.55, | 15.30 | \$150.65 |
- Oct. 23. F. P. Norbury withdrew \$25.00 in cash.
- Oct. 24. Sold to Jno R. Thompson, on account, 1 colonial bedroom set, 3 pcs., \$137.75.
- Oct. 25. Received from Gus. E. Ericson cash to complete the payment of our bill against him of Oct. 3, \$22.50.
- Oct. 26. Bought merchandise from the Sterling Furniture Co., for cash, their invoice No. 2993, \$420.00.
- Oct. 27. Paid the bookkeeper's salary as on Oct. 6.
- Oct. 29. Sold to Gus. E. Ericson, on account, 1 Morris chair, oak, \$27.50.
- Oct. 30. Received Gus. E. Ericson's check to cover our bill against him of Oct. 17, \$76.75.

In connection with your study of the sales book and the cash book in preceding chapters, you were taught that in posting from either of these books the book from which an item was posted must be indicated by the use of the initial *S* or *C*, for *Sales Book* or *Cash Book*, as the case might be. The reason for this is that you are now using three

books of original entry (the journal, the sales book, and the cash book), and it is necessary in connection with each ledger entry that the book in which it originated should be indicated.

Explanations in the Ledger

Up to this point nothing has been said about explanations in the ledger for entries posted to it. This feature has not been mentioned, solely that you might the more easily learn the process of posting. You must now learn to make, in connection with the ledger entries posted, such explanations as are considered by practical accountants sufficient to indicate the nature of the entry in each case.

In posting from the sales book the use of the initial *S* as previously described, is ordinarily sufficient. The bookkeeper knows, when he sees the *S* written in the explanatory column near the folio number 49, that the entry was posted from the sales book, page 49. This shows him that the charge was for merchandise, since all sales book entries are alike in kind.

Ordinarily it also indicates the terms of sale, which usually are the same for all customers; but if the house sells a bill of goods on terms other than the regular terms, that fact should be noted in the sales book and then noted in the ledger when the entry is posted. Thus, if our regular terms are cash in ten days it is unnecessary to note this information in the ledger whenever a sale is made and posted; but if we sell a bill of goods on thirty days time, instead of the usual ten, this should be noted in the explanatory column of the ledger.

In posting from the cash book, the initial *C* is used as previously described. This is ordinarily sufficient, but there are some special cases in which it is customary to make special explanations. These will be described when you come to them; for the present the initial *C* is all the explanation you will use in posting from the cash book.

In posting from the journal, instead of writing the initial *J*, it is customary to write in the explanatory column of the ledger the name of the account affected on the other side in the same transaction—or as it is sometimes called, the *contra* account affected in the same transaction. For instance, in posting the journal entry.

Notes Rec.	\$100.00
Jas. P. Smith	\$100.00

the explanation "Jas. P. Smith" would be written in the notes receivable account and the explanation "Notes Rec." would be written in Jas. P. Smith's account. Any one examining the notes receivable account would see that the note for \$100.00 was received from Jas. P. Smith; and an examination of Jas. P. Smith's account would show that the \$100.00 with which the account stood credited was for a note which he had given. The omission of an initial indicates that the entry was posted from the journal. The initial *J* may be used, however, if preferred.

The mere abbreviation *J* would never show the nature of the entry and this could not be determined without laborious reference to the journal, if there were no explanation other than the initial. When the bookkeeper sees the initial *S* or *C*, he knows what the transaction was, but in the case of entries posted from the journal a further explanation is customary.

Special explanations are customary in posting certain journal items, and in posting any items to certain accounts. To enumerate all of these at this time is unnecessary and might be confusing. Attention will be called to these as occasion arises in each case.

The following illustration will show the appearance of a ledger account containing entries posted from the journal, sales book, and cash book:

ILLUSTRATION OF A LEDGER ACCOUNT WITH EXPLANATIONS

J. E. Milton
2968 Western Ave.

1911		31.65 April Posting		1911		April Posting		1911	
May 3		S 125	24.50	May 5		C 24	20		
7		S 131	15.36	10		C 26	5		
14		S 136	32.95	16	Notes Rec.	7	80		
16		C 29	54						

QUESTIONS

What kind of an account is the above? Is it a customer's account or a creditor's account? What was due on the account on April 30? On May 4? On May 6? On May 8? On May 11? On May 15? How did Mr. Milton settle the account? Assuming that the two entries dated May 16 are for the same transaction, tell what must have taken place. What one of the above entries was posted from the journal?

Cash, Dr.

(Date)	(L.F.)	(Account to be credited)	(Explanation)	(Amount)	(Total)
Oct. 1		F. O. Norbury	Investment	5000	
5		Jno. R. Thompson	On account	50	
10		Lus E. Ericson	On account	25	
16		Notes Rec.	Harry K. Feldman's note 1%	126.50	
16		Interest	On above, 10 ds. at 6%	21	
19		Jno. R. Thompson	Bal. of bill of Oct. 2	15.50	
			Total receipts		5217.21
<hr/>					5217.21
Oct. 21	✓	Balance			4194.01

Open the following ledger accounts, allowing for each account the number of lines named: F. P. Norbury, 7 lines; Merchandise, 4 lines; Expense, 11 lines; Interest, 5 lines; Loss & Gain, 8 lines; Notes Receivable, Jno. R. Thompson, Gus. E. Ericson, and Geo. W. Chambers, one-fourth page each. Post, following the instructions for posting previously studied, from the sales book and from the cash book. Post from the sales book first, as it would not seem reasonable to post a payment from the cash book until the charge is posted from the sales book. When you have posted all the sales book items, post the sales book total to the credit of the merchandise account in the ledger. In posting the sales book total, use the date Oct. 31 and use the explanation "Total." Do not post the cash book footings. These cash book footings (or the cash balance, which amounts to the same thing), will be included in the trial balance.

Take a trial balance. Balance the cash book, following the form shown herewith. Date your balancing entry Oct. 31 and bring the balance down as of Nov. 1.

Prepare statements, using the following inventory: Mdse., \$742.66. Both of the statements and the proof may be written below the trial balance on page 1 of Book C, Blanks No. II, if no lines are left blank. Close the ledger.

		<i>Cash, Cr.</i>			
(Date)	(L.F.)	(Account to be debited)	(Explanation)	(Amount)	(Total)
Oct. 1	1	Expense	Rent for Oct. 191-	70	
2	1	Mdse.	Sterling Furn. Co's Inv. 247	276 60	
4	1	Mdse.	Palmer & Anderson's Inv. 927	364 20	
6	1	Expense	Bkpr's Saly wks. ending 1/6	18	
8	1	F. P. Norbury	Withdrawal	25	
13	1	Expense	Bkpr's Saly wks. ending 1/13	18	
18	1	Expense	Office letterheads & enr.	7 80	
19	1	Mdse.	The Hoffman Co's Inv. 1348	225 60	
20	1	Expense	Bkpr's Saly wks. ending 1/20	18	
			Total payments		1023 20
20	✓		Balance ^(742.66) Inv.		4194 01
					5217 21

LESSON XXXII

Partnership

When two or more persons unite their money, goods, labor, knowledge or skill in a business enterprise in which they mutually share profit or loss, the business organization so formed is a partnership. The relations between partners give rise to many of the most interesting problems of accounting.

PROBLEM 1. A and B are partners, under an agreement to share and share alike regardless of the amounts of their separate investments. The profit for the month of January is \$347.68. How much does each receive?

PROBLEM 2. Suppose that in Problem 1 the arrangement had been that Mr. A, being the senior partner, should always receive $\frac{2}{3}$ of the profits, and Mr. B, $\frac{1}{3}$. How much would the share of each have been?

PROBLEM 3. Suppose that in Problem 1, A's investment had been \$5000.00 and B's investment had been \$3000.00 and the agreement had been that they divide the profit or loss in proportion to their respective investments, what would the share of each have been?

PROBLEM 4. Suppose the investments have been as in Problem 3, but the agreement has been that the partners were each entitled to a salary of \$60.00 a month to be taken from the profits, the balance being divided in proportion to investments. How would the partners have divided the \$347.68?

PROBLEM 5. Suppose the investments had been as in Problem 3, but the agreement had been that each partner should be allowed interest on his investment at 6%, and that the profit remaining should be divided equally. How would the partners have divided the \$347.68?

PROBLEM 6. Harris, Dodd, and Winthrop are partners with respective interests on July 1, 1911, of \$9000.00, \$7500.00, and \$6000.00. During the year ending July 1, 1912, the profits of the business were \$7750.00. State how much profit each received, under the following conditions:

- (a) Profits to be divided. Harris, 50%; Dodd, 30%; Winthrop, 20%.
- (b) Profits to be divided in proportion to investments.
- (c) Profits to be divided in proportion to investments after each partner has drawn a salary of \$100.00 a month.
- (d) Profits to be divided share and share alike after each partner has been allowed interest on his investment at 6%.

PROBLEM 7. Suppose that the investment of Harris, Dodd, and Winthrop on July 1, 1911, were as in problem 6, but during the ensuing year the following changes in investment took place:

Oct. 1, 1911. Harris increased his investment \$1500.00.

Jan. 1, 1912. Dodd received \$1000.00 from Winthrop, and assigned to him in payment \$1000.00 of his interest in the firm.

Apr. 1, 1912. Harris withdrew \$1000.00.

Present solutions for cases b, c, and d as in problem 6, showing the amount of the interest of each partner on July 1, 1912, in each of the three cases. (The three accounts will have to be averaged before problems 7-b and 7-c can be solved. At the discretion of the teacher, these may be omitted.)

PROBLEM 8. W. H. Heckler's ledger shows that on Aug. 1, 191—, his inventories were as follows: Real Estate, \$7500.00; Furn. & Fix., \$650.00; Mdse., \$5000.00. During August his purchases of Mdse. amounted to \$2500.00, his sales of Mdse. amounted to \$4400.00, and his expenses were \$250.00. On Aug. 31 his inventories were: Real Estate, \$7450.00; Furn. & Fix., \$625.00; Mdse., \$3600.00. What was his net gain for August?

PROBLEM 9. On Aug. 31, 191—, W. H. Heckler's ledger showed the following assets: Cash, \$3400.00; Notes Rec., \$1500.00; due from J. G. Cameron, \$450.00. His liabilities on Aug. 31 were: Notes Pay., \$700.00; due Woodbury & Co., \$150.00. His inventories on Aug. 31 were as shown in problem 8. If his net capital on Aug. 1 was \$16,000.00, what was his net gain for August?

PROBLEM 10. What kind of a statement did you prepare in solving problem 8? In solving problem 9? From the data given in the two problems, construct a trial balance as of Aug. 31 before closing.

CHAPTER VII

SET THREE

LESSON XXXIII

TRANSACTIONS FOR APRIL

Make entries for the transactions of April, 191—, using the following books of original entry: The sales book, the cash book, and the journal. Periodically, as instructed throughout the transactions, you will post, take trial balances, prepare statements, etc.

As a matter of convenience, you may open the ledger at this time. Allow for each account one line for the heading, one line for the year date, and the number of lines indicated in the following list:

FIRST PAGE—	LINES	FIFTH PAGE—	LINES
John A. Colby, Partner.....	9	Blackstone Hotel, Michigan Ave.	
L. E. Stacey, Partner.....	10	& Hubbard Pl.....	10
Geo. N. Miller, Partner.....	8	LaSalle Hotel, 120 LaSalle St.....	9
Real Estate.....	9	H. E. Wendell, 1024 N. Robey St.....	10
SECOND PAGE—		SIXTH PAGE—	
Store Furniture & Fixtures.....	9	Chas. E. Madson, 4279 Indiana Ave.....	7
Merchandise.....	21	L. B. Austin, 6679 Normal Ave.....	9
In-Freight.....	9	Notes Payable.....	7
THIRD PAGE—		Mortgages Payable.....	6
Interest.....	15	SEVENTH PAGE—	
Expense.....	26	Berkey & Gay, Grand Rapids, Mich.....	8
FOURTH PAGE—		Rockford Cabinet Co., Rockford, Ill.....	6
Loss & Gain.....	17	Imperial Furniture Co., Grand Rapids, Mich.	6
Notes Receivable.....	15	The Mayhew Co., Milwaukee, Wis.....	6
J. A. Stephens, 6941 Emerald Ave.....	7		

General Instructions: Post the entries from the sales book at frequent intervals throughout the set. A good bookkeeper always keeps his sales posted up to date. It is sometimes embarrassing to have to ask a customer after he has paid his account, thinking that he has paid it in full, to pay for items that were overlooked at the time settlement was made.

In posting to the accounts of the proprietors and to the expense account, write specific explanations in the column provided in the ledger for explanations; these will be suggested in connection with the transactions as your work progresses. This is in accordance with the general principle previously stated, that special explanations shall be written in the ledger when necessary in certain cases to make the meaning of an entry clear. When cash is paid for expense, for instance, it is desirable that the ledger show what the money was spent for, if items are posted in detail to the ledger.

Transactions

Apr. 1, 191—. John A. Colby and L. E. Stacey are partners in the furniture business at 148 Wabash Ave., Chicago, Ill., under the firm name Colby & Co. Profits are to be divided in proportion to investments. The assets and liabilities of the business and the investments of the proprietors, on Apr. 1, are as follows:

Cash	\$3246.78 ✓
Real estate	28000.00 ✓
Store Furniture & Fixtures	625.00 ✓
Mdse. Invty.*	10550.40 ✓
Notes Receivable	132.00 ✓
Interest on above	1.10 ✓
Blackstone Hotel	560.25 ✓
H. E. Wendell	400.75 ✓
Notes Payable	306.33 \$2000.00 ✓
Interest on above	7.50 ✓
Berkey & Gay	585.62 ✓
Rockford Cabinet Co.	195.30 ✓
Imperial Furniture Co.	225.46 ✓
John A. Colby	25314.00 ✓
L. E. Stacey	15188.40 ✓

INVENTORY OF STOCK APRIL 1, 191-. (Same for all lists.)

STOCK NO.	DESCRIPTION	BOT.	SOLD	LEFT	COST PRICE	AMOUNT
102E	refrigerator	6			\$10 75	*** **
1126	kitchen chairs, elm	7 dz.			10 50	** **
2936	kitchen table, pine	25			2 10	** **
No. 6	Hoosier kitchen cabinet.	8			24 00	*** **
2786	Colonial bedroom set, 4 pcs, mhgy.	6			92 50	*** **
396	mahogany dresser	11			36 50	*** **
4001	leather-covered mhgy. davenport	15			62 50	*** **
397	mahogany dressing table	13			18 00	*** **
20 B	mahogany phonograph record cabinet	12			12 50	*** **
2787	Circassian walnut dining room set, 4 pcs.	9			110 00	*** **
398	chiffoniers, Circassian walnut	21			25 00	*** **
483	Mission china cabinet, wea. oak	24			20 00	*** **
484	Mission dining table, wea. oak	28			15 00	*** **
486	Mission dining chairs, wea. oak	104			3 00	*** **
485	Mission buffet, weathered oak	30			15 00	*** **
Style E	auto-valet, quarter-sawed oak	6			30 00	*** **
425	cheval glass, white maple	24			18 00	*** **
526	Flanders bedstead, white maple	40			21 50	*** **
0016	brass bed	43			12 00	*** **
1006	iron bed	50			2 25	*** **
40 lb.	hair mattress	30			30 00	*** **
600 X	cotton mattress	100			4 00	*** **
2788	mahogany parlor set, 3 pcs.	9			90 00	*** **
	Add 5% for freight					***** ** *** ** ***** **

*It is customary in retail furniture stores to keep a record of each individual piece of furniture received. This record is kept in a stock book or stock register, which is an auxiliary book. The advantages of this plan are many: The salesman has a constant record of stock on hand, and this record may be extremely useful to him in making sales; the order clerk has no excuse for ever getting out of stock on any piece of furniture that should be kept on hand; the bookkeeper may secure an inventory from the stock records whenever he needs to know it, without an actual count of stock. In order that you may get some practice in keeping such a stock record, we present above a list of the furniture on hand at this time.

Copy the foregoing list, adding thereto as purchases are made and also recording the items sold, so that at the end of the month you can figure the inventory for yourself; or you may omit this feature of the work, as your teacher may instruct. The gross amount of the inventory will be given for the convenient use of those who do not keep the stock record. Note that every article of furniture has a stock number. This number is a factory number and constitutes a complete description. All items of furniture except cheap chairs are bought, sold, and inventoried by the piece, not by the dozen.

Enter the cash balance in the cash book, in the total column, and the other balances in the ledger, testing the ledger to make sure that it is in balance before proceeding further. Remember that the cash on hand and the sales book total must always be included in the trial balance. In making the entries in the ledger, use the explanation "Balance" or "Inventory" as may be proper in each case.

191—.

✓ April 1. Received cash from the Blackstone Hotel, \$243.50, to settle our bill against them of Mar. 22.

The entry for this transaction is made on the debit side of the cash book, in the amount column, and omitted from the journal.

✓ April 1. Paid the janitor \$2.00 in cash for work today.

The entry for this transaction is made on the credit side of the cash book, and omitted from the journal. In posting, write the word "Janitor" in the explanation column of the ledger.

✓ April 2. Sold to the LaSalle Hotel, 120 La Salle St., on account 10 days,*

4 No. 484 Mission dining tables, weathered oak, at \$24.50	\$98.00	
2 No. 485 Mission buffet, weathered oak, at \$22.75	45.50	\$143.50

The entry for this transaction is made in the sales book, and omitted from the journal. The first line of the sales book entry should contain the name of the customer, the address, and in this case the terms "10 days" written just to the left of the first money column. Use a very narrow margin in writing the items, and abbreviate when possible. *Weathered* may be abbreviated *wea*.

✓ April 3. Bought from The Mayhew Co., Milwaukee, Wis., on 10 days time, 24 Flanders arm-chairs, No. 527, fumed oak, at \$4.30, \$103.20.

The entry for this transaction cannot be made in either of the special books of original entry, so it must be made in the journal, which in this set receives all entries which cannot be made in the sales book or the cash book.

✓ April 3. Paid in cash the freight bill for the Mdse. received from Milwaukee, \$5.75. Make this entry in the cash book, charging In-Freight.

✓ April 4. Sold to H. E. Wendell, 1024 N. Robey St., on account,

1 No. 102E refrigerator	\$16.50	
4 No. 1126 kitchen chairs, elm, at \$1.50	6.00	
1 No. 2936 kitchen table, pine	3.75	\$26.25

✓ April 4. Paid cash to the Rockford Cabinet Co., \$195.30, in settlement of a bill bought from them on Mar. 5, at 30 days net.

When this entry is posted, rule up the account, as this payment settles the account in full.

✓ April 5. Sold to J. A. Stephens, 6941 Emerald Ave., on account 20 days, 1 No. 2786 Colonial bedroom set, 4 pcs., mahogany, \$145.00. (Abbreviate mahogany *mhgy*.)

✓ April 6. Bought from Berkey & Gay, Grand Rapids, Mich., net 10 days, 8 No. 1625 library tables, mahogany, at \$17.50, \$140.00.

*For variable price lists, see page 167.

- ✓ April 6. Paid the freight bill on the above in cash, \$6.50.
- ✓ April 6. Received a check for \$316.75 from the Blackstone Hotel, to cover our bill of Mar. 27.

This balances the account. When this entry is posted, rule up the account.

- ✓ April 6. Paid salaries for the week ending today as follows: Geo. N. Miller, book-keeper, \$20.00; Myra Keating, stenographer, \$15.00; H. R. Dunn, salesman, \$12.00; total, \$47.00.

The explanation should show that the salaries paid were for the week ending today, and should give the name of each employee and the amount paid to each. By writing small, and interlining, all this can be written on two lines. The total should be written in the money column opposite the last line of explanation, as shown in the illustration below. In posting, use the explanation "Salaries."

6	Inv-Freight	Ship't from Berkey & Gay	6.50
6	Expense	Salaries for wk. ending today Geo. N. Miller, 20 ⁰⁰ ; Myra Keating, 15 ⁰⁰ ; H. R. Dunn, 12 ⁰⁰	47
9	Berkey & Gay	Their invoice of Mar. 31	285.62
9	Expense	Exch. on dft. to Berkey & Gay	10

- ✓ April 8. Sold to the LaSalle Hotel, on account,

6 No. 0016 brass beds, at \$18.00,	\$108.00	
18 No. 1006 iron beds, at \$3.75,	67.50	
24 No. 600 cotton mattresses, at \$6.50,	156.00	\$331.50

- ✓ April 9. Received H. E. Wendell's 10-day note at 6% for \$427.00, the balance due on his account to date. By agreement the note was dated April 4, the date of Mr. Wendell's last purchase.

When this entry has been posted, rule and foot the account.

- ✓ April 9. Remitted to Berkey & Gay by bank draft, \$285.62, to cover their 10-day invoice of Mar. 31. Cost of the draft, \$285.62 plus a fee of 10¢.

Use two lines in the cash book, for this transaction. On one line write the entry crediting cash and debiting Berkey & Gay; on the next line enter the 10¢, debiting the expense account, all as shown in the illustration following the last transaction on April 6. In posting to the expense account, use the explanation "Exchange."

Note. This is the same as a cash payment. To secure the draft, we have to pay cash or a check to the banker who issues it, including a small fee for exchange—in this case 10¢.

For a fuller description and illustration of a bank draft, see page 113, in the section on "Drafts."

- ✓ April 11. Received a check from Henry M. Rand for \$133.32 to cover his note in our favor for \$132.00 and accrued interest at 6%. The note was dated Feb. 10, and interest was therefore due for 60 days.

Two entries are made in the cash book. In posting to the notes receivable account, use as an explanation the name of the person whose note was paid.

✓April 11. Paid the scrubwoman \$1.50 for work today.

✓April 11. Bought from The Mayhew Co., Milwaukee, Wis., on 30 days credit, the following:

6 No. 1346 extension dining tables, oak, at \$18.25,	\$109.50	
12 No. 625 mahogany serving tables, at \$7.50,	90.00	
3 No. 600 leather settees, at \$18.00,	54.00	\$253.50

✓April 11. Paid freight charges on the above in cash, \$11.50.

✓April 12. Sold to Chas. E. Madson, 4279 Indiana Ave., on account 10 days,

1 No. 102 E refrigerator	\$16.50	
1 No. 20 B mahogany phonograph record cabinet	20.00	\$36.50

✓April 12. Received a check from the LaSalle Hotel for \$143.50, in settlement of the invoice sold them on April 2.

✓April 13. L. B. Austin, 6679 Normal Ave., arranged with us for furniture as shown below, which we delivered to him. He paid us \$100.00 in cash and gave us his 30-day note at 6% for the balance.

1 No. 2788 mahogany parlor set, 3 pcs,	\$150.00	
1 No. 2787 Circassian walnut dining room set, 4 pcs,	165.00	
1 No. 2786 Colonial bedroom set, mahogany, 4 pcs,	142.50	
1 No. 2936 kitchen table, pine,	3.50	
6 No. 486 Mission dining chairs, wea. oak, at \$4.50,	27.00	
3 No. 1126 kitchen chairs, elm, at \$1.50 each,	4.50	
1 No. 102E refrigerator,	18.00	\$510.50

Charge the entire bill through the sales book, terms "Cash & note." Give credit for the cash, through the cash book; and for the note, through the journal. When all three items have been posted, rule and foot the account.

✓April 13. Mailed our check to The Mayhew Co., Milwaukee, Wis., for \$103.20 to cover their 10-day bill of April 3.

✓April 13. Paid the salaries in cash as on April 6.

✓April 13. H. E. Wendell paid us by check the amount due on his 10-day note in our favor dated April 4, \$427.00, and interest for 9 days at 6%, 64¢.

In posting this entry, use as an explanation the name of the person whose note was paid.

✓April 13. Bought from The Macey Co., Detroit, Mich., for cash, 32 No. 7 bookcase sections, fumed oak, at \$2.00. (Describe this in the cash book as "The Macey Co's. Inv. No. 1429.") The freight charges on this shipment were paid by the shipper.

✓April 13. Sold to J. A. Stephens, on account,

1 No. 397 mahogany dressing table,	\$28.50	
1 No. 396 mahogany dresser,	56.50	
1 No. 2788 mahogany parlor set, 3 pcs,	145.00	\$230.00

Post, as follows: Post all the debits to personal accounts from the sales book. Make a lead pencil footing in the sales book, but do not post its total at this time. Post all the items on the debit side of the cash book to the credit side of the accounts named, except the first item, which is a balance brought down. In posting the items on Apr. 6 and Apr. 13, follow instructions as to the use of explanations. Foot the Cash Dr. column in lead pencil but do not post the footing. Post all the items on the credit side of the cash book to the debit side of the accounts named. In posting to the debit of the expense

account, make a proper explanation in the ledger for each item. Foot the credit column in lead pencil, but do not post the footing. Post the journal entries, remembering to use as an explanation for each item posted the name of the account or accounts affected on the other side in the same transaction.

Take a trial balance, which should include the total footing of the sales book and the balance of the cash book, which have not been posted to the ledger.

- ✓ April 16. Mailed our check for \$140.00 to Berkey & Gay in settlement of their 10-day invoice of April 6.
- ✓ April 17. Sold to Chas. E. Madson, on account, 1 No. 2787 Circassian walnut dining room set, 4 pcs., \$165.00.
- April 17. Paid \$25.50 for 5M letterheads and envelopes, printed.
- April 18. Bought from the Rockford Cabinet Co., Rockford, Ill., on 30 days time,

6 No. 336 writing tables, mahogany, at \$11.00,	\$66.00	
5 No. 6½ umbrella stands, walnut, at \$4.00,	20.00	\$86.00
- April 18. Paid freight charges on the above in cash, \$6.75
- April 18. Sold to the Blackstone Hotel on account, 24 No. 486 Mission dining chairs, weathered oak, at \$4.50, \$108.00.

How to Forward the Sales Book Total

Forward the footing of the sales book from page 3 to the top of page 4 as follows: Rule a single line beneath the last entry in the Totals column of page 3. Foot the column, writing the total in ink below the ruling, with the explanation "Footing forwarded." Check in the folio column. Write the same total on the first line below the triple ruling at the top of page 4, in the Totals column with the explanation "Footing brought forward." Check in the folio column. The date of the next sale will head page 4.

- April 18. Paid cash for 500 2¢ stamps.
- April 18. Remitted \$300.00 to Berkey & Gay by bank draft, to cover their 30-day invoice of Mar. 19. Cost of the draft, 10¢.
- April 19. Bought from the Imperial Furniture Co., Grand Rapids, Mich., on account 30 days, 12 No. 590 mahogany rocking chairs, at \$9.00, \$108.00.
- April 19. Sold to H. E. Wendell, on account,

1 No. 0016 brass bed,	\$18.50	
1 40 lb. hair mattress at \$1.00 a pound,	40.00	\$58.50
- April 20. Paid the salaries in cash as on April 6.
- April 22. Sold to the LaSalle Hotel, on account,

12 No. 0016 brass beds, at \$18.50,	\$222.00	
12 No. 600X cotton mattresses, at \$6.50,	78.00	\$300.00
- April 22. Received cash from Chas. E. Madson to settle our bill against him of April 12, \$36.50.
- April 25. Remitted \$225.46 to the Imperial Furniture Co. by bank draft to cover their 30-day invoice of Mar. 26. Cost of draft, 10¢.
- April 25. Received cash from J. A. Stephens to settle our bill against him of April 5, \$145.00.

S B H
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— April 26. Sold to Chas. E. Madson on account, 1 Style E auto-valet, quarter-sawed oak, \$47.50.

— April 27. Paid the salaries in cash as on April 6.

— April 29. Bought from Berkey & Gay, on account, 10 days net:

10 No. 4269 Princess dressers, birdseye maple, at \$21.00,	\$210.00	
8 No. 063 porch chairs, wicker, at \$4.75,	38.00	
5 No. 065 Spanish swinging settees, canvas, at \$9.25,	46.25	\$294.25

Abbreviate birdseye maple *B. E. maple*.

— April 30. Sold to the Blackstone Hotel, terms 30-day note at 6%,

2 No. 102E refrigerators, at \$15.00	\$30.00	
2 Hoosier kitchen cabinets, No. 6, at \$36.00	72.00	
5 Auto-Valet, style E, at \$42.50	212.50	
2 No. 2788 mhgy parlor sets, 3 pcs. each, at \$125.00	250.00	
24 Flanders arm chairs, No. 527, at \$6.00	144.00	
8 library tables, mhgy, No. 1625, at \$25.00	200.00	
6 No. 336 writing tables, mhgy, at \$15.25	91.50	\$1000.00

Make two entries, one in the sales book debiting the account of the Blackstone Hotel, the other in the journal, crediting the account of the Blackstone Hotel.

— April 30. Sold to L. B. Austin, on account,

1 No. 102E refrigerator	\$15.75	
5 No. 1126 elm kitchen chairs, at \$1.50	7.50	
3 No. 600 leather settees, at \$27.50	82.50	\$105.75

— Post, following the instructions given on April 15, except that the sales book total is to be posted to the credit of the merchandise account, as previously described.

Take a trial balance, remembering to include the balance of the cash book.

Prepare statements, using the following inventories: Interest receivable on L. B. Austin's note for \$410.50, dated Apr. 13, 17 days at 6%, \$1.16. Interest payable on our note in favor of C. B. Churchill dated Mar. 4, for \$2000.00, 57 days at 5%, \$15.83. Salaries earned and unpaid, \$15.67. Real Estate, \$27850.00. Store Furn. & Fix., \$618.75. Mdse., \$9420.65. The inventories of interest and salaries should be verified by you before you enter them. You can verify the Mdse. Invty.* by preparing a stock record as previously described, adding 5% to cost for freight charges.

The loss and gain statement should be prepared in such form as to show In-freight as subordinate to Merchandise. The illustration at the top of page 110 will give you the proper form for the loss and gain statement.

Close the loss or gain accounts. These should be closed to conform with the loss and gain statement, which means that In-Freight should be closed into Merchandise before Merchandise is closed into Loss & Gain.

An Interesting Bookkeeping Device

Some bookkeepers like to make canceling entries in the notes receivable and notes payable accounts opposite each other. Thus a payment on Sept. 25 of a 10-day note for \$100.00 dated Sept. 15 would be written on the same line with the entry made Sept.

*Inventory all stock at last purchase price. If there were no purchases during April, use the cost prices of the Apr. 1 inventory.

LOSS & GAIN STATEMENT. APR. 30, 191-.

		<u>GAINS</u>		
Merchandise	Invty Apr. 1	10550.40		
	Purchases April	XXXX.XX		
	In-Freight April	XX.XX		
	Total cost	<u>XXXXX.XX</u>		
	Invty Apr. 30	9420.65		
	Cost of goods sold	<u>XXXX.XX</u>		
	Sales April	<u>XXXX.XX</u>		
	Cost of goods sold	<u>XXXX.XX</u>	XXXX.XX	XXXX.XX
		<u>LOSSES</u>		
Real Estate	Dr	28000.00		
	Cr Invty	<u>27850.00</u>	XXX.XX	
Store Furn & Fix	Dr	625.00		
	Cr Invty	<u>618.75</u>	X.XX	
Interest	Dr	X.XX		
	Dr Invty	<u>15.83</u>		
		XX.XX		
Expense	Cr	X.XX		
	Cr Invty	<u>XX.XX</u>	X.XX	
	Dr	<u>XXX.XX</u>		
	Dr Invty	<u>15.67</u>	XXX.XX	XXX.XX
	Net gain for April			<u>XXX.XX</u>
		<u>PROOF</u>		
Jno. A. Colby	Investment	25314.00		
"	5/8 of net gain	<u>XXX.XX</u>		
"	share capital Apr. 30		XXXXXX.XX	
L. E. Stacey	Investment	15188.40		
"	3/8 of gain	<u>XXX.XX</u>		
"	share capital Apr. 30		XXXXXX.XX	
Net capital of firm Apr. 30				XXXXX.XX

15, although there might be a blank line just above it that could have been used. This plan is not a good one when there are many partial payments, as it would be necessary in this case to make several entries on one line. When this plan is followed, the account is never balanced, but whenever the items cancel down to a certain line, the bookkeeper rules off all above that line by single line rulings. This latter device can be applied to any account and will often be found of convenience, especially in reducing the amount of labor necessary to find the balances due on personal accounts. Following is an illustration of a notes receivable account which illustrates the various points of this paragraph. It is not advised that the student follow this form, which is shown simply in order that he may become familiar with it.

Notes Receivable

191-				191-			
Sept. 1	15 ds	73	15060	Sept. 16		8 65	15060
3	10 ds	75	7575	13		8 64	7575
9	20 ds	77	50	19	25.22	8 67	
10	60 ds	77	16450	29	25.22	8 71	50
15	10 ds 164.50	79	100	25		8 69	100

NOTES: The credit on Sept. 13 was written on the second line though the first line was then blank. Later the credit on Sept. 16 was entered on the first line, opposite the item canceled by the payment. It was then observed that the items above a certain line canceled, and two single lines were ruled. These single rulings are on the same line in the form shown, but in ruling off personal accounts in the same way it seldom happens that the rulings are opposite each other. Part payments were made to cover the credit item of Sept. 9, and these are both written on the same line in small handwriting. The line on the credit side opposite the unpaid debit item of Sept. 10, is left blank. The balance is determined by inspection.

DRAFTS

A **Draft** is an order instructing one person to pay another person a certain sum of money at a certain time. It is assumed that the person who issues an order has a right to ask that the payment be made as ordered.

The person drawing (ordering that payment be made) is called the *drawer* of the paper. The person drawn upon (ordered to pay) is called the *drawee*. The person to whom payment is to be made is called the *payee*.

As to time of payment, there are *sight* drafts and *time* drafts, the former being payable at sight, the latter being payable at a future time. When payable at a future date, that date may be specified in the draft, it may be stated as a certain number of days or months after the date the draft bears, or it may be stated as a certain length of time "after sight"—that is, after the drawee sees it.

A draft does not become effective until the drawee has paid it or has agreed to pay it. If it be a sight draft it will be paid at once, or payment will be at once refused. If it be a time draft the drawee will indicate (usually in writing) his willingness to pay it when the time comes, or will refuse at once to be liable for it. Refusal to pay a sight draft or refusal to agree to pay a time draft is called "dishonoring," or refusing to honor, the paper.

The drawee usually indicates his willingness to pay a time draft on the date specified or indicated, by writing across the left end of the face of the draft the word "Accepted" or "Good" or some other word of similar import, with the date of acceptance, and his signature. The paper is then called an accepted draft, or acceptance.

FORM OF DRAFT, AFTER ACCEPTANCE

\$500.00 Chicago, Ill., August 1, 1919
 At thirty days' sight Pay to
 James Anderson or order
 Five hundred and no/100 Dollars
 Value received and charge the same to account of
 To J. W. Hunter M. Snowden
 No. Springfield, Ill.

Explanation: If the above draft had been written in the form of a letter, the letter would have read as follows:

Chicago, Ill., August 1, 191—.

J. W. Hunter,
 Springfield, Ill.

Dear Sir:

At thirty days' sight (that is, thirty days after you see this) pay to James Anderson, or (to his) order, five hundred dollars. (This draft is given for) value (which has been) received (by me). (When you have paid the amount it calls for), charge the same to the account of

(Yours truly),

M. Snowden.

It must be assumed that Mr. Snowden had the right to draw against Mr. Hunter for this \$500.00, either because Mr. Hunter owed him money or because there was an agreement between the two that Mr. Snowden's drafts would be paid. Otherwise it would have been useless for Mr. Snowden to issue the draft.


It must also be assumed that Mr. Snowden had some reason to give Mr. Anderson the paper. We shall consider three possible reasons: (a) Mr. Snowden owed Mr. Anderson \$500.00 which he wished to pay in this way. (b) Mr. Anderson, wishing to travel from Chicago to Springfield but unwilling to carry with him \$500.00 in cash, turned the money over to Mr. Snowden, receiving in exchange Snowden's order payable in cash in Springfield. (c) Mr. Snowden, wishing to collect \$500.00 from Mr. Hunter, used Mr. Anderson as his collector, expecting Mr. Anderson to return the proceeds of the collection.

Drafts all three parties to which are private individuals or firms are no longer common. Yet they are occasionally found and the relation of the parties should be familiar to all. Bank drafts, however, and drafts through the bank, are widely used.

Drafts through the bank are largely used for the collection of bills. A draft of this kind is one in which the bank is the payee, the creditor being the drawer and the

debtor the drawee. Following is a form of a draft through the bank. Drafts for collection are usually in this form. Mr. Raynor could have made out the draft in his own favor, however, and could then have endorsed it over to the Merchants Exchange Bank.


DRAFT FOR COLLECTION



\$114.⁰⁰ Chicago, Ill. Apr. 25, 19—
 At Sight ————— Pay to
 the order of Merchants Exchange Bk
 One Hundred Fourteen and 00/100 Dollars
 Value received, and charge the same to account of
 To A. F. Harvey } N. T. Raynor.
 No. # La Grange, Ill. }

Bank Drafts are largely used for the transfer of funds from one locality to another. The drawer of a bank draft is a bank; the drawee is also a bank. The payee is a person.

FORM OF BANK DRAFT



J. & W. Seligman & Co.
 BANKERS, Arcade Building.
 Chicago, DEC 30 19—
 No. 132945
 Pay to the order of Ray F. Parker \$1500.⁰⁰
 Eighteen hundred & 00/100 Dollars.
 TO THE First National Bank, }
 New York. } W. H. Seligman Cashier

Bank drafts are usually payable at sight, or at least upon very short notice. If a person wishes to send or take \$285.62 from Chicago to New York, he will step into some Chicago bank, pay them \$285.62 (plus a possible exchange fee, for their trouble), and receive a draft for \$285.62 upon some New York bank. The

ENDORSEMENT

Pay to
 Western Grocers' Store
 or order
 Ray Parker

buyer can take this draft to New York and have it cashed, or he may send it to some person or bank in New York to whom the bank drawn upon will pay the money. A draft may be made in favor of the buyer and by him endorsed over to a person to whom he wishes to send the money or the name of that person may be inserted by the bank from which the draft was bought. It is preferable for the buyer of a draft to have it made out in his own favor, for his endorsement on it when he transfers it to another will then be evidence that he has paid money to that other. The evidence will be in the hands of the bank drawing the draft, of course, as the canceled draft will eventually be returned to them as the issuing bank.

Explanation: Ray E. Parker has bought a draft for \$1800.00 from Oxley & Co. bankers, Chicago (or some one else has bought it, having it made out in Parker's favor). The draft is signed by F. W. C. Moltkamp, cashier of Oxley & Co.'s bank. It is drawn against the First National Bank, New York. Because it is drawn against a bank in New York, it is called a "New York draft." Parker's endorsement shows that he has transferred it to the Western Grocery House.

The transactions given on page 115 involve sight and time drafts, drafts for collection through a bank, and bank drafts.

Bank Drafts received are always assumed to be good, and entries are made immediately upon receiving them. They are entered as cash. Bank drafts bought and remitted are treated as cash payments to the persons to whom they are sent.

Rule: When you receive a bank draft, debit the cash account; credit the account of the person from whom, or the thing for which, the draft was received.

Rule: When you buy a bank draft for cash and remit it, debit the account of the person to whom, or the thing for which, the draft was given; credit the cash account.

Rule: When you pay exchange in cash, debit the expense account or a special account called Exchange; credit the cash account.

Drafts for Collection. These are sight drafts through the bank. Until paid by the person drawn upon, such a draft has no more significance than a dunning letter, and no entry is made except possibly a memorandum. If dishonored, no entry is made by either the drawer or drawee. When paid, the rules for the payment of sight drafts apply, as given below. The bank's fee for collection should be paid by the drawee, but sometimes the drawer is forced to bear them. Whoever pays such a fee should debit the expense account and credit cash.

Sight and Time Drafts. Except in case of bank drafts, as previously discussed, these should not be assumed to be good until honored (by payment, in the case of a sight draft; by acceptance, in the case of a time draft). If dishonored, no entries are required by either drawer or drawee. When honored, sight drafts are treated the same as cash and time drafts are considered the same as notes, and the following entries are made:

Rule: When you receive a sight draft and make collection of the cash, debit the cash account, credit the account of the person from whom, or the thing for which, the draft was received.

Rule: When you pay a sight draft in cash, debit the account of the person for whom, or the thing for which, the payment was made; credit the cash account.

Rule: When you receive a time draft (and after the acceptance of the drawee has been procured), debit the notes receivable account; credit the account of the person from whom, or the thing for which, the draft was received.

Rule: When you accept a time draft, debit the account of the person for whom (at whose order), or the thing for which, the acceptance was given; credit the notes payable account.

Rule: When either a sight draft or a time draft is drawn by you, upon receipt of notice that it has been honored debit the account of the person for whom or the thing for which it was drawn; credit the account of the person against whom it was drawn.

Rule: When you receive cash in payment for another's acceptance, debit the cash account and credit the notes receivable account.

Rule: When you pay cash to redeem your acceptance in favor of another, debit the notes payable account and credit the cash account.

Journalize the following transactions, using loose sheets. Assume that an expense account is kept, which is debited for exchange charges and for collection charges.

TRANSACTIONS TO BE JOURNALIZED

191—.

Jan. 1. Received from Homer E. Stillwell, on account, a draft on the Hanover National Bank, New York City, for \$432.65.

Jan. 2. Remitted \$625.00 to the Remington Typewriter Co., New York City, on account, by a draft on the Merchants Exchange Bank, New York City, bought at the Corn Exchange National Bank, this city. Exchange, 10¢.

Jan. 3. E. J. Harmon, who has an account with us, sent us his draft on R. W. Long of this city, payable at sight, for \$75.00 which Mr. Long owed him, asking us to collect it and credit his (Harmon's) account. When we presented the draft Mr. Long gave us his check for the amount.

Jan. 4. H. M. Waters of Cedar Rapids, Iowa, sent us on account his draft on G. E. King of this city, payable in 30 days, for \$126.50. We presented the draft to Mr. King and procured his acceptance. Make the entry. What would we have done had Mr. King refused to honor the draft?

Jan. 5. The bank returned Mr. Long's check of Jan. 3 marked "No funds." Make an entry which will adjust the matter on our books. What two letters shall we write and what enclosure shall we send in each letter?

Jan. 5. M. R. Brown and C. E. Smith both live in Indianapolis, Ind. We owe Mr. Smith \$50.00 and Mr. Brown owes us \$50.00. A few days ago we drew against Mr. Brown for \$50.00, payable at sight to Mr. Smith; today we received word from Mr. Smith that the draft had been honored.

Jan. 8. Desiring to collect \$78.50 from B. A. Strong, Champaign, Ill., we drew on him recently through the Citizens' Bank of that city for that amount. Today we received a remittance from the Citizens' Bank of \$78.20, the bank having deducted 30¢ for collection.

Jan. 9. Having learned a valuable lesson from the foregoing transaction, we drew on D. B. Willis, Onarga, Ill., for \$64.50 (the amount due us from him), writing on the draft the words "and collection charges." The bank collected the face of the draft plus its fee for collection from Mr. Willis, and on Jan. 11 returned to us \$64.50 by bank draft.

Jan. 12. C. R. Hall, the proprietor, wishing to take \$500.00 with him on a business trip, bought four bank drafts for \$125.00 each, paying 40¢ exchange. (Debit the \$500.00 to the account of the proprietor).

Jan. 13. Sold to A. C. Baldwin Mdse. invoicing at \$55.00. He endorsed to us a bank draft for \$75.00 and we gave him \$20.00 change.

Jan. 15. We bought Mdse. from Whately & Co. invoicing at \$126.75, remitting in payment a bank draft for the amount. Exchange, 10¢.

Jan. 17. Adams & Co. drew upon us through the bank for \$140.00 which was overdue on account. We paid the draft plus 35¢ collection fee.

Jan. 18. Having ordered from Greenebaum & Sons Mdse. billed at \$720.00, terms cash upon receipt of bill of lading, we received notice today that the goods had arrived and that the bill of lading (which Greenebaum had sent to the First National Bank with sight draft on us attached) could be secured by calling at the bank and paying the draft. We paid for the draft and an 85¢ collection fee.

Jan. 20. Received and collected H. L. Morton's sight draft against P. D. Ogden for \$10.00 due us for interest on a mortgage.

NOTES

Date Rec'd	Our No.	Maker or Acceptor (Payer)	In favor of (Payee)	Where Payable	Rec'd for	Date of Paper	
191— Apr. 1	1	Henry M. Rand	Colby & Co.	Maker's Office	Bal. of acct. to date On bill of this date Bill of this date In full of acct.	Feb.	10
9	2	H. E. Wendell	Colby & Co.	Maker's Office		Apr.	4
13	3	L. B. Austin	Colby & Co.	Maker's Office		Apr.	13
30	4	Blackstone Hotel	Colby & Co.	Maker's Office		Apr.	30
May 2	5	Chas. A. Madson	Colby & Co.	Maker's Office		May	2

Transactions for May

The transactions for May are a continuation of the transactions for April. Continue the use of the same sales book, cash book, journal and ledger. Begin writing the May sales on a new page of the sales book. Continue the cash entries on the same pages of the cash book, below the double ruling. Write the date of the first journal entry in May in full, leaving about three blank lines between the April and May entries.

THE NOTES RECEIVABLE AND NOTES PAYABLE BOOKS

These two books are introduced as auxiliary books. Their purpose is to furnish records of important data concerning notes receivable and payable, for convenient reference. Whenever a note or acceptance receivable is received, a memorandum is written in the notes receivable book. Whenever a note is issued or a draft is accepted, a memorandum is written in the notes payable book. Whenever a note (or acceptance) receivable is disposed of or a note (or acceptance) payable is redeemed, notations are made in the proper columns. The notes receivable book therefore shows at all times what notes and acceptances are on hand, and the notes payable book shows at all times what notes and acceptances are outstanding against us. The ledger shows the same principal facts but in less detail. The column headed "Face" in the notes receivable book should show the same items as the debit column of the notes receivable account in the ledger; the "Disposed of" column should always agree with the credit column of the notes receivable account. In the notes payable book, the column headed "Face" should always agree with the credit column of the notes payable account in the ledger; the "Redeemed" column should always correspond with the debit column of the notes payable account. Notes are presumed to be payable at the maker's office, and drafts at the acceptor's office, unless otherwise specified on the face of the paper.

NOTES

Date Issued	Our No.	Maker or Acceptor (Payer)	In favor of (Payee)	Where Payable	Given for	Date of Paper	
191— Apr. 1	1	Colby & Co.	C. B. Churchill	Our Office		Mar.	4

RECEIVABLE

Time	Rate of Int.	When due												Face	Disposed of					
		Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.		Dec.	When	How	Int. Recd.	Amt. Recd.	
Days 60	6%	191-				11										132	191-Apr.	11 Check	1 32	133 32
10	6%	191-				14										427	Apr. 13	Check	64	427 64
30	6%	191-					13									410 50				
30	6%	191-					30									1000				
30	6%	191-						1								212 50				

Some accountants prefer to use the notes receivable and notes payable books as books of original entry. This is done by omitting the journal entries altogether when notes are received or issued and posting from the notes receivable and notes payable books. This necessitates extra columns in these books for the name of the account to be posted to and for the ledger folio. The plan is not a good one, because of the great confusion that arises, as for instance when a note signed by one person is received from another.

The model forms shown on pages 116 and 117 contain the proper memorandums for April. Study these forms carefully, and write the memorandums for April in your notes receivable and notes payable books. Throughout May, you will make the proper memorandums in the notes receivable and notes payable books at the time of making the original entry in each case.

Transactions, Continued

191—

✓ May 1. Geo. N. Miller, who has been in the employ of the firm for some time, has saved \$2000.00 out of his salary. He is permitted to invest this amount in cash and will share in the profits in the proportion which his investment bears to the entire investment. He will continue to draw his weekly salary as bookkeeper.

✓ Make the entry in the cash book with the explanation "Investment, see Journal, page —." Then make a memorandum in the journal which will explain the transaction in detail.

✓ May 1. Bought from Berkey and Gay, terms 10 days net, 10 No. 065 Spanish swinging settees, canvas, at \$9.25, \$92.50. Paid freight charges on this shipment in cash, \$3.65.

May 2. Sold to the LaSalle Hotel, on account,

12 No. 0016 brass beds, at \$17.50	\$210.00	
12 No. 1006 iron beds, at \$3.75	45.00	
24 No. 600X cotton mattresses, at \$6.50	156.00	\$411.00

PAYABLE

Time	Rate of Int.	When due												Face	Redeemed					
		Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.		Dec.	When	How	Int.	Amt. Pd.	
Days 60	5%	191-					3									2000	191-May	3 Cash	16 67	2016 67

May 2. Received from Chas. E. Madson his 30-day note at 6% for \$212.50, the balance of his account to date.

After making the required journal entry, make a proper memorandum in the notes receivable book.

May 3. Our note in favor of C. B. Churchill fell due today, and we paid it in full with interest. Face of note \$2000.00; interest for 60 days at 5%, \$16.67; cash paid, \$2016.67.

After making the required entry, make a proper memorandum of the payment in the columns at the right in the notes payable book.

May 3. Sold to J. A. Stephens, on account, one No. 2787 Circassian walnut dining room set, 4 pcs. \$175.00.

May 4. Sold to L. B. Austin, on account,

1 No. 1346 extension dining table, oak	\$31.50	
1 No. 20 B mhgy. phonograph record cabinet	20.00	\$51.50

May 4. L. E. Stacey, partner, withdrew \$1000.00 in cash.

In posting this entry use the explanation "Withdrawal" in the ledger.

May 4. Paid the salaries in cash as on April 6.

May 5. Sold to the Blackstone Hotel, on account,

2 No. 2786 Colonial bedroom sets, 4 pcs., at \$150.00	\$300.00	
4 No. 1346 extension dining tables, oak, at \$24.50	98.00	
12 No. 7 bookcase sections, fumed oak, at \$3.40	40.80	\$438.80

May 6. Bought 1000 2¢ postage stamps for cash.

May 7. Received a check for \$108.00 from the Blackstone Hotel in settlement of our bill of Apr. 18.

✓ May 7. Sold to H. E. Wendell, on account,

1 No. 2787 Circassian walnut dining room set, 4 pcs.	\$175.00	
4 No. 7 bookcase sections, fumed oak, at \$3.60	14.40	\$189.40

May 8. Received a check for \$331.50 from the LaSalle Hotel to cover our bill of Apr. 8.

May 8. L. E. Stacey, partner, again made a withdrawal of cash. This time the amount withdrawn was \$1800.00.

May 9. Paid in cash Berkey & Gay's invoice of April 29, \$294.25, sending them a bank draft for the amount. Exchange on the draft, 10¢.

May 9. Sold to L. B. Austin on account,

1 No. 2788 mhgy. parlor set, 3 pcs.	\$145.00	
1 No. 6 Hoosier kitchen cabinet	37.50	
4 No. 7 bookcase sections, fumed oak, at \$3.50	14.00	\$196.50

May 10. Sold to the LaSalle Hotel, for cash,

5 No. 6½ umbrella stands, walnut, at \$6.75	\$33.75	
1 No. 2788 mhgy. parlor set, 3 pcs.	150.00	
8 No. 063 porch chairs, wicker, at \$7.90	63.20	\$246.95

Since the LaSalle Hotel has an account with us, the foregoing transaction should be carried through the ledger. Debit the account of the LaSalle Hotel through the sales book, and credit it through the cash book. When both entries have been posted, the entire transaction will appear in the ledger.

May 11. Paid The Mayhew Company in cash the amount due on their bill of April 11, \$253.50.

May 11. Paid the salaries in cash as on April 6.

✓ May 11. Paid Berkey and Gay by bank draft the amount of their invoice of May 1, \$92.50. Exchange, 10¢.

May 13. Received cash from L. B. Austin for his note of April 13, \$410.50, and interest for 30 days at 6%.

May 13. Mr. Stacey having informed us that he would need about \$2500.00 in cash at once for his personal use, we borrowed \$3000.00 from the City National Bank for six months at 5%, giving a mortgage on our real estate to secure the loan. (Credit Mortgages Payable.)

Make a memorandum of this mortgage in the notes payable book. Strictly speaking, it does not belong there, but since we have only one mortgage payable it may be listed with the notes payable for convenience, in order that we may be reminded when it falls due. The notes payable book being only a memorandum book, no harm can be done by this procedure.

May 13. L. E. Stacey, partner, withdrew in cash all of his investment in excess of \$10,000.00.

May 13. Sold to H. E. Wendell, on his 15-day note at 6%, 1 No. 2788 mahogany parlor set, 3 pcs., \$150.00.

Follow the instructions given in connection with the sale to the Blackstone Hotel on April 30.

May 14. Sold to the Blackstone Hotel, receiving \$500.00 in cash to be applied on the bill,

2 No. 2786 Colonial bedroom sets, mhgy., 4 pcs. each, at \$147.50	\$295.00	
6 No. 396 mhgy. dressers, at \$51.75	310.50	
6 No. 625 mhgy. serving tables, at \$12.50	75.00	\$680.50

Charge them the amount of the entire bill. Give them credit for the cash payment.

May 14. Bought from The Mayhew Co., Milwaukee, Wis., 6 No. 2787 Circassian walnut dining room sets, 4 pcs. each, at \$110.00, \$660.00. Gave them our 10-day note at 6% for the amount of the bill. Paid the freight charges on the shipment in cash, \$12.78.

The purchase should be carried through the ledger, as previously described. After the required entries are made, make the proper memorandum in the notes payable book. Hereafter make memorandums in the notes receivable and payable book whenever necessary. Remember this instruction, as it will not be given again.

Forwarding the Cash Book Footings

The credit side of the cash book is now full. Forward both debit and credit footings to the next two pages of the cash book, as follows: Rule a single line across both money columns on both the debit page and the credit page, on the blue line on which the last credit item is written. Below this line write the footings of the three columns in which you have figures. Opposite the debit footings, write the explanation "Footings forwarded." Opposite the credit footing, write the explanation "Footing forwarded." Write the cash book headings for the next debit and credit pages and on the first line below the headings write in the proper columns the amounts forwarded, with the explanation "Footings brought forward" on the debit side, and the explanation "Footing brought forward," on the credit side. No entries after this date are to be written on either of the pages which have been ruled and footed.

NOTE. The debit and credit footings are forwarded at the same time as a matter of convenience. Each page could be forwarded as filled, without regard to the other page, but it is easy to see that this would occasion a great deal of extra turning of pages. Sometimes separate debit and credit books are kept.

May 15. Received a check from J. A. Stephens for \$230.00 in settlement of our invoice of April 13.

May 15. Sold to L. B. Austin, on his 10-day note at 6% (two entries).

1 No. 483 Mission china cabinet, weathered oak	\$32.50	
1 No. 484 Mission dining table, weathered oak	24.00	
1 No. 485 Mission buffet, weathered oak	23.75	
6 No. 486 Mission dining chairs, weathered oak, at \$4.50	27.00	\$107.25

Post all entries up to date, but do not post the footings of the sales book. Take a trial balance, which should include the sales book footings and cash book balance.

May 15. L. E. Stacey having announced that he would withdraw from the partnership, \$100.00 in cash was paid to him as his estimated share of the May profits to date. (Debit *Loss & Gain*; credit *Cash*.) In accordance with the terms of a private arrangement between L. E. Stacey and Geo. N. Miller, the balance of Mr. Stacey's capital account was transferred to the credit side of Mr. Miller's account. Mr. Miller was paid his salary up to date in cash, \$10.00, and no further salary was to be paid to him.

May 16. Sold to the LaSalle Hotel the items listed below. Received their 10-day note at 6% to cover the balance of their account, including this invoice. (Two entries.)

4 No. 396 mhgy. dressers, at \$51.90	\$207.60	
2 No. 2788 mhgy. parlor sets, 3 pcs. each, at \$150.00	300.00	\$507.60

May 18. Received a check for \$58.50 from H. E. Wendell in payment of our invoice of April 19.

May 18. Mailed to the Rockford Cabinet Co. our 10-day note at 6% to cover their bill of April 18, \$86.00.

May 18. Remitted \$108.00 to the Imperial Furniture Co. by bank draft, to cover their bill of April 19. Cost of the draft, 10¢.

May 18. Paid salaries as follows: Myra Keating, \$15.00; H. R. Dunn, \$12.50.

May 20. Sold to H. E. Wendell on account,

2 No. 625 mhgy. serving tables, at \$12.75	\$25.50	
1 No. 1346 extension dining table, oak	27.25	\$52.75

May 20. Bought from the Rockford Cabinet Co., on account, 12 No. 336 writing tables, mahogany, at \$11.00, \$132.00. Paid freight charges in cash, \$5.25.

May 21. Bought from the Imperial Furniture Co. on our 30-day note at 6%, 48 No. 590 mhgy. rocking chairs, at \$9.00, \$432.00. Paid the freight bill in cash, \$14.40.

May 23. Received cash from H. E. Wendell in full of account.

To determine what H. E. Wendell's balance is it will be necessary to examine not only the ledger, but all books of original entry for transactions entered but not posted.

May 24. Sold to the Blackstone Hotel, on account, 3 No. 6 Hoosier kitchen cabinets, at \$37.50 each, \$112.50.

May 24. Paid The Mayhew Co. in cash \$661.10, the amount of our note in their favor dated May 14 and interest.

May 25. Received cash from L. B. Austin for his note of May 15, \$107.25, and interest for 10 days at 6%, 18¢.

May 25. Received a check from the LaSalle Hotel in settlement of their note in our favor dated May 16, \$1218.60, and interest for 9 days at 6%, \$1.83.

May 25. Paid salaries in cash as on May 18.

May 28. Received cash from H. E. Wendell in settlement of his note of May 13, \$150.00, and interest for 15 days at 6%, 38¢.

May 28. Remitted to the Rockford Cabinet Co., by bank draft, \$86.14 to cover our note of May 18 and interest. Cost of the draft, 10¢.

May 30. Received a check from the Blackstone Hotel for \$1005.00, to cover their note of April 30 and interest for 30 days at 6%.

May 30. Received L. B. Austin's check for \$105.75 in settlement of our bill of April 30.

May 31. Inventories: Real estate, \$27700.00; store furniture and fixtures, \$612.50; merchandise, \$8581.18*; interest on Chas. E. Madson's note for \$212.50, dated May 2, 29 days at 6%, \$1.03; interest on our note in favor of the Imperial Furniture Co. for \$432.00, 10 days at 6%, 72¢; interest on our mortgage in favor of the City National Bank, \$3000.00 for 18 days at 5%, \$7.50; salaries earned and unpaid, \$22.92.

Take a trial balance and prepare statements. The net gain will be divided: Colby, 77%; Miller, 23%. Students who understand how to determine each partner's proportion when changes in investment are made during the month, should verify these percentages. Close the ledger. Prepare a balance of the closed ledger.

Test in Closing No. II

At this point perform the work of the second test in closing, as follows: (1) Take a trial balance. (2) Prepare statements, using the following inventories: Real Estate, \$13450.00; furniture and fixtures, \$1000.00; merchandise, \$9450.00; interest receivable, \$13.50; interest payable, \$10.20; salaries unpaid, \$8.00. The proprietors share gains and losses in proportion to investment. (3) Close the ledger (except personal accounts and the partners' accounts), dating the balances and inventories brought down as of Feb. 28 instead of March 1 as you ordinarily would. In preparing the loss and gain statement and in closing the ledger, In-Freight is to be treated as a part of the cost of Mdse. (4) Take a balance of the closed ledger.

Closing Out the Business

After your balance of the closed ledger has been proved, open a cash book with the proper balance and make entries for the following transactions, dating all transactions Feb. 28.

Sold all merchandise on hand for cash at the inventory price.

Paid in cash all accounts payable.

Collected cash in full of all accounts receivable.

Paid the mortgage, the notes payable, including accrued interest, and salaries in cash.

Sold the real estate and furniture and fixtures for cash, at the inventory prices.

Received cash for all notes receivable and accrued interest.

Divided the cash on hand between the partners in proportion to investment.

*The amount of the above inventory will vary for the different lists as follows:

List 1, as given,	\$8581.18	Lists 23 to 29, inclusive,	\$8532.88
Lists 2 to 8, inclusive	\$8510.83	Lists 30 to 36, inclusive,	\$8557.03
Lists 9 to 15, inclusive	\$8534.98	Lists 37 to 43, inclusive,	\$8581.18
Lists 16 to 22, inclusive	\$8559.13	Lists 44 to 50, inclusive,	\$8605.33

In verifying the inventory, use the last purchase price on articles purchased since May 1. On all other articles, use the costs given in the May 1 inventory.

Post all cash book entries and rule the cash book to close.

Rule all ledger accounts to close.

There being no assets or liabilities or investments, the business has ceased to exist.

The Loose-Leaf Ledger

The ledger sometimes consists of loose sheets which are fastened together in a binder and this kind of a book is just as satisfactory as any other if the loose sheets are not lost. The principal advantages of the loose-leaf ledger are: (1) The bookkeeper may arrange his accounts alphabetically, thus making it unnecessary to index the book and at the same time enabling the bookkeeper to save the time that under the bound book system would be lost in consulting the index. (2) Old accounts may be removed from the current binder, in which current (active) and open accounts are kept, and placed in a "transfer" binder, where they can be kept until opened again by new transactions. This materially reduces the number of accounts in the current binder, making it easier to handle, and easier to keep track of the open accounts.

Loose-leaf devices are not by any means confined to the ledger, but are used for many of the books of original entry, where they are often found to be even more effective in the saving of time and labor.

Special Ruled Ledgers

While the old-fashioned center ruled ledger is the best for general purposes, it is not unusual for ledgers to be specially ruled to suit peculiar needs in certain lines of business or to conform to the differing ideas of bookkeepers. One special form which is used considerably for personal accounts when cash discounts enter into the settlements, is a form which provides a narrow column at the left of the column in which the cash payments are entered. In this narrow column are recorded the cash discounts. Each payment and its corresponding discount are thus side by side the same as they are in the cash book. For accounts receivable, this extra column is on the debit side. For accounts payable, it is on the credit side. The cash payment and discount in each case may be written on the line on which the amount of the invoice appears, or this feature may be disregarded.

Discount

Trade Discount. When a certain per cent is deducted from the listed price of an article to arrive at the real selling price, such a deduction is called a trade discount. This deduction might indicate that the price has been lowered since the present list price was established; it might be a reduction made as an inducement for a sale; it might be that trade discounts are used merely as a means of regulating prices without changing the prices published in the catalog; or it might be that the same catalogs are sent to all kinds of firms and the prices to each regulated through trade discounts. Trade discounts are taken off the invoices when they are made out, and do not appear on the books.

Cash Discount. After an article has been sold at a certain price, the seller will often offer a cash discount in order to induce a payment of cash within a certain time. For instance, one might sell goods on 60 days time, but offer a special discount of 2% for spot cash or for cash in ten days. These items are entered in a "Cash Discount" account.

Discount for the Use of Money. This is classed with interest, the ledger account being named "Interest and Discount." You are already familiar with this kind of discount.

Some bookkeepers make no distinction between cash discount and discount for the use of money and in some lines of business it is extremely difficult to make this distinction, as when a cash discount is offered for payment within, say, 10 days from the date of a bill and, in addition to this, discount at regular rates is allowed if the customer wishes to pay even before the discount date. When bills are dated several months ahead a great deal of this extra discounting is done and it would require much extra figuring to keep the two kinds of discount separate. Failure to distinguish between these two kinds of discount is theoretically wrong, but the general custom in a given business should be followed.

Analyzing an Account

Often it is desirable to determine certain facts in regard to an account which are not shown in the footings and general result of the account. Suppose, for instance, that a general expense account is kept in which all expense items are entered, but for some particular reason it is desired to show the amounts of different kinds of expense items, as advertising, postage, etc., throughout a certain past period. In this case, an analysis sheet may be prepared which will show these facts.

Assume that the expense account in the ledger appears as follows for the month of October, 191—.

		EXPENSE	
191—			
Oct.			
1	Rent	75	
3	Advertising	10 50	
4	Exchange	10	
5	Salaries and wages	37 50	
8	Collection	20	
9	Advertising	8 75	
10	Electric Light	3 50	
12	Salaries and wages	39 25	
14	Postage	10	
16	Advertising	7 50	
19	Salaries and wages	35 75	
21	Advertising	12 90	
23	Stationery	4 50	
26	Salaries and wages	36 50	
31	Advertising	6 25	
		<u>288 20</u>	

An analysis sheet might be prepared as illustrated below, assuming that this gives the desired information.

ANALYSIS OF EXPENSES FOR OCTOBER, 191—		
ADVERTISING	SALARIES & WAGES	MISCELLANEOUS
10.50	37.50	75.00
8.75	39.25	.10
7.50	35.75	.20
12.90	36.50	3.50
6.25		10.00
<u>45.90</u>	<u>149.00</u>	4.50
		<u>93.30</u>
		Adv'g. 45.90
		S & W 149.00
		<u>Total 288.20</u>

Such an analysis can be made so as to give any information desired. If information as above were desired at every closing of the ledger, of course, it would be better to keep separate accounts in the ledger for advertising and for salaries and wages; so that a knowledge of the above form is of value, generally speaking, only when an analysis is desired of past expenses which have not been entered in separate accounts. The form has a wide application, however. It can be used for analyzing personal accounts to show what proportion of bills are discounted. The credit side of the merchandise account (or the sales book, if only one sales book be kept) can be analyzed to show how the sales compare in different departments of the business, in different states or other divisions of territory covered, or by salesmen. There are dozens of other ways in which such forms can be used.

When separate accounts are kept for advertising and for salaries and wages, or when analysis sheets are prepared every month, these can be recapitulated to show general results for the year, half-year, or quarter, as follows:

ANALYSIS OF EXPENSES FOR THE QUARTER FROM OCT. 1, 191— TO JAN. 1, 191—

	ADVERTISING	SALARIES & WAGES	MISCEL- LANEOUS	TOTAL
October	45.90	149.00	93.30	288.20
November	56.75	162.25	98.50	317.50
December	42.20	138.62	92.25	273.07
	144.85	449.87	284.05	878.77

The recapitulation form shown above, like the form of analysis sheet shown previously, may be adapted in dozens of ways to give valuable information. The bookkeeper should be clever in devising for his own use such supplementary forms as will set before his employer in graphic form any special information or summaries which may be requested or desired.

Exercise. Write the following in sales book form and prepare an analysis sheet showing the business done as by States. The separate items of each invoice are omitted for the sake of brevity.

191—	SOLD TO	TERMS	AMOUNT
Nov.	1. H. K. Williams, Chicago, Ill.,	2/10 n/30	\$123.62
	2. E. C. Millard, Oskaloosa, Ia.,	3/10 n/30	243.72
	3. S. E. Walton, Indianapolis, Ind.,	1/10 n/30	326.29
	5. S. H. Block, Peoria, Ill.,	2/10 n/30	285.62
	6. K. V. Handel, Terre Haute, Ind.,	1/10 n/30	141.32
	7. E. B. Bayes, Dubuque, Ia.,	3/10 n/30	325.16
	8. T. B. Boyd, St. Louis, Mo.,	2/10 n/30	273.08
	9. H. E. Devore, Springfield, Ill.,	2/10 n/30	249.46
	12. R. L. McNeal, St. Joseph, Mo.,	2/10 n/10	387.65
	13. E. J. Sneed, Springfield, Mo.,	2/10 n/30	457.45
	15. T. J. Adams, Keokuk, Ia.,	3/10 n/30	386.23
	16. A. B. Dick, Charleston, Ill.,	2/10 n/30	299.71
	19. B. L. Admore, Gary, Ind.,	1/10 n/30	148.09
	20. H. K. Williams, Chicago, Ill.,	2/10 n/30	386.25
	21. F. E. Giles, Crawfordsville, Ind.,	1/10 n/30	243.96
	22. W. B. Cook, Jefferson City, Mo.,	2/10 n/30	129.45
	26. D. L. Dover, Cedar Rapids, Ia.,	3/10 n/30	256.24
	27. F. B. Boyd, St. Louis, Mo.,	2/10 n/30	393.26
	28. S. J. Stephens, E. St. Louis, Ill.,	2/10 n/30	245.50
	30. J. R. McCormick, Terre Haute, Ind.,	1/10 n/30	352.30

The concern making the sales listed in the foregoing form prepays freight charges and attempts to equalize the loss on this item by adjusting the discounts differently in different states. In what state do you think the business is located?

Closing the Ledger Through Journal Entries

Up to this time you have followed the plan of closing all ledger accounts through entries made directly on the face of the ledger. Another plan which accomplishes the same results in a different way is to make journal entries for all closings which when posted to the ledger will leave the affected accounts in exactly the same condition as though the entries had been made directly in the ledger.

When closings are made through journal entries, it is an entirely feasible plan and one often followed to dispense with red ink altogether in the ledger except for ruling purposes. The cash account is kept in a separate book, the notes receivable and notes payable accounts are left open, as you have learned to do in case of the personal accounts, and the closing entries are posted from the journal in black ink.

In performing the work required for the following exercises you will use no red ink except for ruling purposes. Use the current date.

Using loose sheets, spread on the ledger the facts shown in Exercise 1, and prepare statements. Then close the ledger by the journal method, proceeding as follows:

1. Open a temporary account called *Miscellaneous Inventories*.
2. Make journal entries debiting the miscellaneous inventories account for all asset inventories and crediting the several accounts in which the inventories belong. (If you prefer, you may combine all these in one entry.)
3. Make journal entries crediting the miscellaneous inventories account for all liability inventories and debiting the several accounts in which the inventories belong. (If you prefer, you may combine all these in one entry.)
4. Post all the foregoing entries.
5. Make journal entries debiting Loss & Gain and crediting the several accounts showing loss. (If you prefer, you may combine all these in one entry.)
6. Make journal entries crediting Loss & Gain and debiting the several accounts showing gain. (If you prefer, you may combine all these in one entry.)
7. Post all the entries you made in steps 5 and 6. The loss or gain accounts all balance now, and may be ruled.

The inventories are all represented in the miscellaneous inventories account at this time. To get them back in their proper accounts, proceed as described in steps 8, 9 and 10.

8. Make journal entries debiting the miscellaneous inventories account for all liability inventories and crediting the several accounts in which these inventories belong. (If you prefer, you may combine all these in one entry.)

9. Make journal entries crediting the miscellaneous inventories account for all asset inventories and debiting the several accounts in which these inventories belong. (If you prefer, you may combine all these in one entry.)

10. Post all the entries you made in steps 8 and 9.

11. Make journal entries debiting Loss & Gain and crediting each partner for one half of the net gain, and post them. (If you prefer, you may combine these in one entry.) If a net loss be shown, reverse the entries. Close Loss & Gain, but leave the accounts of the partners open.

The ledger should now be in exactly the same condition it would have been in had the closing been done directly in the ledger.

Exercise I

Chas. E. Woods, Partner.....		3020
Geo. R. Davis, Partner.....		1400
Furniture & Fixtures.....	500	
Merchandise.....	5508 95	2281 80
Interest.....	11 87	
Expense.....	105 20	
Cash.....	1241 68	
Notes Receivable.....	1587 50	
Jas. E. Ryan.....	115	
H. R. Smith.....	162 60	
A. M. Duncan.....	116	
Notes Payable.....		1339
J. E. Baker.....		414
Jerome B. Howard & Co.....		250
Alma Mfg. Co.....		644

Inventories: Mdse, \$4125.00; furniture & fixtures, \$450.00; coal on hand which had been charged to the expense account, \$12.50.

In performing the work of Exercise II, follow the instructions given above for Exercise I, except that you must divide the gain or loss between the partners in proportion to investment.

Exercise II

G. E. Albrecht, Partner.....		22000
John H. Stehman, Partner.....		15000
Real Estate.....	8800	
Furn. & Fix.....	1275 92	
Merchandise.....	52925 74	66040 11
Cash Discount.....		850 75
Interest & Discount.....		46 39
Expense.....	5216	
Cash.....	9060 24	
Notes Receivable.....	19510	
Accounts Receivable.....	13426	
Notes Payable.....		4500
Accounts Payable.....		1776 65

Inventories: Real Estate, \$8600.00; furniture and fixtures, \$1200.00; merchandise, \$15241.62; expense items on hand, \$350.00. Note that separate personal accounts are not shown, but that accounts receivable are shown in one item and accounts payable in one item.

Many things can be said in favor of the plan of journalizing the closing entries and against it. State what you consider to be the advantages and disadvantages of the plan, and why you consider it better or not so good as the plan of making the closing entries directly on the face of the ledger.

Closing all accounts directly in the ledger is one extreme; closing all through journal entries is another. Many bookkeepers take a half-way position in the matter, closing through journal entries the loss or gain accounts only, and using red ink for closing balance accounts (including personal accounts) and for entering inventories in loss or gain accounts before closing.

At the discretion of your teacher, you may employ either the journal method or the method to which you are accustomed, or the plan mentioned in the preceding paragraph, in closing the ledger for June and July.

CHAPTER VIII

SET FOUR

You are employed as bookkeeper for Masters & Co., 63 S. Clark St., dealer in boots and shoes. The firm does a jobbing business—that is, it both buys and sells at wholesale. It sells for cash and on account. Sales for cash or on a note to customers who have accounts are carried through the ledger.

The books kept are the journal, sales book, purchase book, six-column cash book, notes receivable and notes payable books, and a ledger.

THE SIX-COLUMN CASH BOOK

This book takes the place of the simple form of cash book you have been using. It has six columns and these might be put to various uses, but in this set they are used as shown in the illustration. The object of keeping the special columns is to classify items that are of a similar kind; and as was shown in connection with the sales book, much of the labor of posting is saved.

The left-hand column on the debit side is for cash sales, as the heading shows (it does not, however, include cash sales to persons who have accounts with us). Items in this column are not posted separately, but at the time of closing the cash book the column is footed and the total is written in the general cash column, from which it is posted to the credit side of the cash sales account in the ledger. A check mark is placed in the folio column opposite each cash sale to show that it is not to be posted separately.

Note that the June 1 balance is not written in the general column. When the total of cash sales is written in the general column, the general column then exhibits all cash receipts and its total is the total of cash receipts for June. Each item in this column is posted to the credit side of some ledger account.

The footing of the general column is written in the balance column and added to the June 1 balance.

Items of expense are omitted from the general column on the credit side and entered in the special column provided. A check mark is placed in the folio column opposite each of these to show that it is not to be separately posted. The total of the expense column is written in the general column and from there posted to the debit of the expense account.

When the total of expense has been entered in the general credit column, the latter exhibits all the disbursements for June. The cash balance is then ascertained and is written in the general column as shown.

The cash discount column is not a cash column. It is in the cash book simply for convenience. When we pay a creditor, the amount of the payment is entered in the

ILLUSTRATION OF A SIX-COLUMN CASH BOOK

Cash, Dr.

		Cash Sales	General	Balance
June 1	✓ Balance			243239
3	✓ Cash sales June 1, 2, & 3	16750		
6 12	Smith & Hellman Our Inv. of May 7		12250	
6 12	Notes Rec. S. H. Watson May 7		???	
6 11	Int. & Dis. Int. on above 30 ds 6%		???	
7 13	Grant Butler & Co. Our Inv. of May 28		????	
9 13	E. W. Phillips Bal. as of June 1		????	
—	—	---	---	---
—	—	---	---	---
27 13	Oscar E. Hewitt Our Inv. of June 7		4950	
30	✓ Cash sales Forw. up to tonight	???	???	
30 10	Cash sales Cr. for total		169841	
	Total cash receipts			294452
				537691
July 1	✓ Balance			381606

general column on the credit side. If we secure a discount the discount item is written beside the payment, in the cash discount column, which is conveniently near the general column. Both the payment and the discount are posted to the debit of the creditor's account. To balance these two items posted to the debit side of the ledger, we have (1) The credit to cash, from the fact that the amount of the payment is entered in the general column of the cash book. (2) The credit to the cash discount account—for the cash discount column is footed and its total posted to the credit of the cash discount account.

The cash book is ruled in closing as shown in the illustration. The balance is brought down on the debit side in the general column.

ILLUSTRATION OF A SIX-COLUMN CASH BOOK

Cash, Cr. 19

				Expense		Cash	Dr.	Cr.	General
June	1	11	Insurance	\$400 ⁰⁰ on Mase. at 8 1/2%					86 25
	2	14	Walker & Co.	Their Inv. of May 23			???		???
	2	✓	Expense	Exchange on above	??				
	3	✓	Expense	Salys. for wk. ending 6/1					
		✓		H. K. Webster, Bkpr. 17.50	29 50				
		✓		Ada Mount, stamps 12.00					
	6	✓	Expense	500-2¢ stamps	??				
	7	11	Inv. Freight	From Walker & Co. Columbia					???
	20	14	Walker & Co.	Their Inv. of June 10			??		???
	24	✓	Expense	Salys. as on June 3	???				
	29	14	Notes Pay	Carpenter Bros. May 30					???
	29	11	Int. & Dis.	Int. on above 30 ds 6%					???
	30	11	Inv. Freight	R. P. Smiddy & Co's					3 50
	30	✓	Expense	bill for June	18 95				
					47 75				
	30	11	Expense Dr. for total						147 25
	30	11	Cash Discount Cr. for total				22 71		156 95
	30	✓	Balance (708 Inv)						381 96
									537 691

THE PURCHASE BOOK

Purchases of merchandise are entered in this book. Each purchase is posted to the credit of some ledger account (usually a personal account) and the total is posted to the debit of the merchandise account. It is not customary to itemize the goods bought; the general practice is for the purchaser to retain the invoices, and this of course makes it unnecessary to itemize the goods bought.

The form used in set four is very simple, and provides for the recording of only the bare essentials of each transaction. In practice, much more elaborate forms are often used, with special columns for such informational matter as may be deemed important. For instance, a special column may be kept for the seller's invoice number. Sometimes

incoming invoices are numbered by the bookkeeper as received and a special column is provided in which these numbers can be recorded. Again, the date of a bill is quite likely to be different from the date the invoice is received, and a separate column should then be kept in which the date of the bill would be shown, the discount date being figured from this date. Special columns may be provided for the discount date (or the different discount dates) and for the date of maturity, as in the notes payable book. All of these special columns are purely auxiliary, and are omitted from this form for the sake of simplicity.

THE PURCHASE BOOK

Purchases, June, 191-

(Date) 191-	(L. F.)	(Creditor's Name)	(Address)	(Terms)	(Amount)	(Total)
June 2		Groves & Rood	175 Fifth Ave.	2/10 net	99 60	
7		Walker & Co.	Columbus, Ohio	2/10 net	??	
8		Carpenter Bros.	St. Louis, Mo.	2/10 net	???	
10		Walker & Co.		2/10 net	??	
13		Carpenter Bros.		2/10 net	??	
16		Groves & Rood		2/10 net	??	
25		Groves & Rood		2/10 net	??	
30		<i>Mdse. Dr. for total</i>				???

Use the same notes receivable book and notes payable book you used for the furniture business, leaving a few blank lines below the May entries.

Accounts Kept. You will keep the following accounts in your ledger, allowing for each account one line for the heading, one line for the year dates, and for the entries the number of lines given in the following list:

Capital.....	10 lines	Grant Butler & Co., Peoria, Ill.....	9 lines
Real Estate.....	8 lines	E. W. Phillips, 2639 S. Halsted St.....	9 lines
Furniture & Fixtures.....	8 lines	Notes Payable.....	8 lines
Merchandise.....	13 lines	Groves & Rood, 175 Fifth Ave.....	10 lines
Cash Sales.....	4 lines	Walker & Co., Columbus, Ohio.....	10 lines
In-Freight.....	12 lines	Carpenter Bros., St. Louis, Mo.....	7 lines
Insurance.....	8 lines	C. E. Masters Estate.....	7 lines
Interest & Discount.....	13 lines	C. N. Masters, legatee.....	7 lines
Expense.....	9 lines	Mary B. Groves, legatee.....	7 lines
✓ Cash Discount.....	8 lines	U. S. 4's 1921.....	7 lines
Loss & Gain.....	18 lines	✓ Apartments 1419 W. Madison St.....	7 lines
Notes Receivable.....	9 lines	Income from Apartments 1419 W. Mad-	
Smith & Wellman, 1349 S. Clark St.....	11 lines	ison St.....	7 lines
Oscar E. Hewitt, 209 S. Dearborn Ave....	8 lines		

The cash discount account is debited for cash discounts we allow, which are costs to us. It is credited for cash discounts allowed to us by others, which are returns to us. The student will have no difficulty with this account if he will imagine that when such bills are settled the entire amount of cash is paid and then a part of it is returned by the creditor.

The insurance account exhibits the costs for insurance, and the returns on this account, if any. It is treated just like the expense account.

The "U. S. 4's, 1921" account is an asset account like the notes receivable account. It exhibits the amounts of United States 4% bonds maturing in 1921 which have been received and disposed of.

"Apartments 1419 W. Madison St." is the title of a property account that is no different in its nature from the Real Estate account.

"Income from Apartments 1419 W. Madison St." is the name of an account in which we keep a record of costs and returns from that property. It is a loss or gain account.

The cash sales account is a temporary account which is debited for the amount of cash sales as entered in the sales book at the end of the month or whenever the cash sales column in the cash book is footed, and credited for the same amount as posted from the cash book. When both entries to it are posted, it balances, and should be ruled off.

One of the features of set four is a little "set within a set." S. D. Masters, the senior partner, is made executor of the estate of C. E. Masters, deceased, a brother, and rather than open a complete new set of books for the estate, he carries the accounts of the estate on the books of the firm. When the estate is distributed among the heirs according to law, it will be seen that all of these estate accounts have disappeared from the books.

Although there are several partners, only one capital account is kept. The investment accounts of the partners are kept in a private ledger to which they only have access. Whenever you have an entry which would ordinarily go into one of the investment accounts, you debit or credit *Capital*, at the same time handing S. D. Masters a memorandum which will enable him to make the proper entry in the private ledger. (You need not actually prepare these memorandums.) The sum of the balances of the private ledger should equal the balance of the capital account.

Transactions

191—

June 1. Enter in your ledger and cash book the following balances, which represent the condition of the business of Masters & Co. on this date.

Capital		26625.99	Oscar E. Hewitt	325.00
Real Estate	15250.00		Grant, Butler & Co.	69.70
Furniture & Fixtures	823.60		E. W. Phillips	125.60
Merchandise	8627.45		Notes Payable	500.00
Interest & Discount	.96	1.50	Groves & Rood	325.75
Expense		14.75	Walker & Co.	410.10
Notes Receivable	240.00		Carpenter Bros.	259.28
Smith & Wellman	242.65		Cash	2432.39

Explanation. The balance of the notes receivable account, \$240.00, is for a 30-day note at 6% dated May 7; it was received from S. H. Watson on account. Make a proper memorandum on the notes receivable book. The balance of the notes payable account is for our 60-day note for \$500.00 at 6% given to Holmes & Ferguson on May 13 to cover their invoice of that date. Make a proper memorandum in the notes payable book. Items of interest accrued on the note receivable and the note payable were included among the losses and gains at the time of the last closing and were brought down as inventories on June 1 as shown by the foregoing trial balance. Salaries earned but unpaid were also included among the losses for last month and the item was brought down on June 1 as an offset to the expenses for June as shown.

June 1. Insured our stock of merchandise for \$6900.00, paying the premium for one year in advance in cash. The premium paid was at the rate of \$1.25 per hundred. (Debit Insurance.)

June 2. Bought from Groves & Rood, 175 Fifth Ave., City, terms 2/10 n/30,

24 prs. youths' patent leather bluchers, at \$1.80	\$43.20	
36 prs. boys' kid bluchers, at 90¢	32.40	
24 prs. boys' gum overshoes, at \$1.00	24.00	\$99.60 ✓

June 2. Paid Walker & Co., by check, the amount of their invoice of May 23, \$142.50, less 2% discount which was allowed for cash in ten days. Included 10¢ exchange in the amount of the check.

Deduct 2% from the amount of the invoice. Enter the amount of cash paid (exclusive of the exchange) in the general column on the credit side of the cash book, and the amount of the discount in the cash discount column beside it. When you post these two items to Walker & Co.'s account in the ledger, use only one line, following the form shown. The exchange is entered separately in the cash book; the amount is written in the expense column and a check mark is placed in the folio column.

Walker & Co. Columbus, Ohio

191-		<i>Dis. 2.85</i>			191-			
<i>June 2</i>		<i>139.65</i>	<i>6 19</i>	<i>142.50</i>	<i>June 1</i>	<i>Balance</i>	<i>✓</i>	<i>410.10</i>

June 3. Paid the salaries for the week ending today, in cash, as follows: H. R. Webster, bookkeeper, \$17.50; Ada Mount, stenographer, \$12.00.

Two lines are used in writing this entry. Check in the folio column on both lines.

June 3. Cash sales of Mdse. for June 1, 2, and 3 were \$167.50.

Enter this in the cash sales column, and place a check mark in the folio column.

June 5. Sold to E. W. Phillips, 2639 S. Halsted St., on account,

12 prs. men's box calf bluchers, at \$2.65	\$31.80	
12 prs. men's University patent bluchers, at \$2.95	35.40	\$67.20

To save time and space, use the following abbreviations in making sales book entries. These abbreviations are generally recognized in the boot and shoe business:

Blu. - Bluchers	O. G. - Oil Grain	Pol. - Polish
Pat. - Patent	Bala. - Balmorals	Russ. - Russet
Lea. - Leather	Kang. - Kangaroo	Wos. - Women's
Ox. - Oxfords	Vel. - Velour	Dong. - Dongola
Butt. - Button	Gr. - Grain	Cong. - Congress

June 6. Received cash from Smith & Wellman to cover our invoice of May 7, \$122.50.

June 6. Received cash from S. H. Watson for his note of May 7, \$240.00, and interest for 30 days at 6%, \$1.20.

June 6. Paid cash for 500 2¢ stamps for office use.

June 7. Sold to Oscar E. Hewitt, 209 S. Dearborn Ave., on account,

15 prs. men's oil grain No-Seam balmorals, at \$1.50	\$22.50	
12 prs. women's tan vici bluchers, at \$2.25	27.00	\$49.50

June 7. Received Grant, Butler & Co.'s check for \$69.70, in settlement of our bill against them of May 28.

June 7. Bought from Walker & Co., Columbus, Ohio, terms 2/10 n/30,

30 prs. men's gun metal bluchers, at \$2.10	\$63.00	
20 prs. vici balmorals, old man's last, at \$1.40	28.00	\$91.00

June 7. Paid the freight charges on the above shipment in cash, \$1.35.

June 7. Paid cash to Groves & Rood for their invoice of May 28, \$325.75 less 2% cash discount.

June 8. Sold to Grant, Butler & Co., on account, terms 2/10 n/30,

12 prs. men's kid balmorals, at \$2.50	\$30.00	
18 prs. men's University calf bluchers, at \$2.95	53.10	
24 prs. men's Para rubbers, "Wilhite," at 75¢	18.00	\$101.10

June 8. Received from Oscar E. Hewitt on account his 30-day note at 6% for \$325.00, dated May 26, the date of the sale to him which the note covers.

June 8. Bought from Carpenter Bros., St. Louis, Mo., terms 3/10 1/30 n/60,

24 prs. women's Maxine button shoes, at \$2.10	\$50.40	
30 prs. ladies' Dongola C. S. balmorals, at \$1.00	30.00	
24 prs. ladies' Dongola patent tip bluchers, at \$1.10	26.40	\$106.80

June 8. Paid the freight charges on the above shipment in cash, \$1.60.

June 8. Paid cash to Walker & Co., for their bill of May 29, \$267.60, less 2% cash discount.

June 9. Received from E. W. Phillips \$125.60 in cash to cover the balance of his account as of June 1, and his 15-day note at 6% dated June 5 for \$67.20 to cover the sale to him on that date.

June 9. Gave Carpenter Bros. our 30-day note at 6% for \$259.26, to cover their bill of May 30. We dated the note May 30.

June 10. Bought from Walker & Co., terms 2/10 n/30,

30 prs. men's kangaroo grain "Ripless," at \$1.15	\$34.50	
24 prs. men's American rubbers "Quaker," at .60	14.40	\$48.90

June 10. Paid the freight charges on the above shipment in cash, \$1.00.

June 10. Paid the salaries for the week ending today in cash as on June 3.

June 10. Cash sales for the week, \$325.67.

June 12. Paid cash to Groves & Rood for their invoice of June 2, \$99.60 less 2% discount.

June 12. Sold to E. W. Phillips, on his 60-day note at 6%,

24 prs. men's oil grain No-Seam balmorals, at \$1.50	\$36.00	
20 prs. boys' kid bluchers, at \$1.35	27.00	
36 prs. women's tan vici bluchers, at \$2.25	81.00	\$144.00

June 13.	Bought from Carpenter Bros., terms 2/10 n/30,		
	12 prs. women's Maxine button shoes, at \$2.10	\$25.20	
	24 prs. infants' velour polish, patent tip, at \$.80	19.20	
	30 prs. boys' kid bluchers, at \$.90	27.00	\$71.40

June 14.	Sold to Smith & Wellman, 1349 S. Clark St., on account,		
	12 prs. men's American rubbers, "Quaker," at .90	\$10.80	
	15 prs. men's oil grain "No-Seam" balmorals, at \$1.50	22.50	\$33.30

Post and take a trial balance. In posting, use the initial *P* to indicate the purchase book. Do not post the totals of the sales book, purchase book or cash book, but these totals must be included in the trial balance with the following respective explanations: "Sales on account to date, not posted;" "Purchases on account to date, not posted;" "Cash sales to date, not posted;" "Expenses to date, not posted;" "Cash discount credit total to date, not posted." The cash book is not to be closed at this time, but the balance must be ascertained and included in the trial balance. It is ascertained as follows: Add together the cash balance June 1, general receipts, and receipts from petty cash sales; from the total secured, subtract the sum of the payments shown in the general and expense columns.

June 16.	Bought from Groves & Rood, terms 2/10 n/30,		
	24 prs. youths' patent leather bluchers, at \$1.80	\$43.20	
	12 prs. boys' Para rubbers, at 40¢	4.80	
	36 prs. boys' box calf bluchers, "Bulldog," at \$1.20	43.20	\$91.20

June 17. Paid Walker & Co's. invoice of June 7, \$91.00 less 2%, by check, including 10¢ exchange in the check.

June 17. Paid Carpenter Bros., invoice of June 8, \$106.80 less 3%, by check, including 10¢ exchange in the check.

June 17. Paid the salaries for the week ending today in cash as on June 3.

June 17. Cash sales for the week were \$427.50.

June 19. Received Grant, Butler & Co.'s check for \$99.08, to cover our bill of June 8 less discount. The bill was due on June 18, but as that day was Sunday the discount was allowed on the 19th.

Make two entries, one in the cash book and one in the journal. If there were many transactions of this kind, it would be advantageous to have a special column for cash discounts on the debit side of the cash book.

June 19.	Sold to Smith & Wellman on account,		
	12 prs. youths' kangaroo grain high cut shoes, at \$1.85	\$22.20	
	15 prs. men's Carey bluchers, at \$3.10	46.50	\$68.70

June 20. Received cash from E. W. Phillips in payment of his note dated June 5, \$67.20, and interest for 15 days at 6%, \$0.17.

June 20. Paid Walker & Co.'s bill of June 10, \$48.90, less 2%, in cash.

June 21. Smith & Wellman returned to us for credit 3 prs. men's Carey bluchers, which they had bought from us at \$3.10. We gave them credit for the goods returned.

A credit memorandum is usually sent to a customer who returns goods for credit. Debit the Mdsc. account and credit the account of Smith & Wellman.

Often when many transactions of this kind occur a separate account is kept for them under the title *Goods Returned to Us* or some other title meaning the same. Similarly a special account might be kept for goods returned by us. In some cases, where there are a vast number of returns, separate books are kept for goods returned to us and goods returned by us. The plan of posting from these books is similar to that employed in posting from the sales book and the purchase book.

June 22. Sold to Grant, Butler & Co., on account,

12 prs. men's kangaroo grain "Ripless," at \$1.75	\$21.00	
12 prs. misses' kid bluchers, patent tip, at \$1.42½	17.10	\$38.10
		<hr/>

June 23. Smith & Wellman claimed that 4 pairs of the youths' kangaroo grain high cut shoes sold them on June 19 were defective, and we allowed them a rebate of \$0.50 a pair.

Debit the Mdse. account and credit Smith & Wellman's account. A credit memo. is usually sent for such items. Separate accounts may be kept for claims allowed to us and for claims allowed by us, when there are many such items. Sometimes separate books are kept, as in the case of returned goods.

June 24. Sold to Oscar E. Hewitt, on account,

12 prs. men's box calf bluchers, at \$2.65	\$31.80	
12 prs. men's University patent bluchers, at \$2.95	35.40	
12 prs. youths' patent leather bluchers, at \$2.40	28.80	\$96.00
		<hr/>

NOTE.—Sometimes, instead of entering such items as the above in a sales book, a duplicate of the customer's order or of our invoice is kept and filed, posting to the customer's account being made direct from the duplicate order or invoice. This plan is followed in *Wholesale Accounting*, which is the second part in the series of accounting texts of which this is the first.

June 24. Paid the salaries for the week in cash as on June 3.

June 24. Cash sales for the week, \$410.54.

June 25. Bought from Groves & Rood, terms 2/10 n/30,

30 prs. boys' kid bluchers, at 90¢	\$27.00	
24 prs. youths' patent leather bluchers, at \$1.80	43.20	
18 prs. boys' gum overshoes, at \$1.00	18.00	\$88.20
		<hr/>

NOTE.—Sometimes, instead of entering such items as the above in a purchase book, the invoice itself is filed and the posting done direct from it; or the invoices are pasted in a book which is provided with a column at the side in which the totals only are entered, posting being done from this column. The latter plan is illustrated and taught in *Wholesale Accounting*.

June 25. Received cash from Oscar E. Hewitt for his note dated May 26, \$325.00 and interest for 30 days at 6%.

June 26. Sold to Smith & Wellman, on account,

12 prs. men's King George oxfords, at \$3.20	\$38.40	
12 prs. men's congress calf, at \$2.50	30.00	
12 prs. women's Maxine button, at 3.00	36.00	\$104.40
		<hr/>

June 27. Discounted at the bank E. W. Phillips' 60-day note of June 12 in our favor. The note was for \$144.00 and bore interest at 6%. Rate of discount, 5%. Net cash received, \$144.53.

Verify the above computation. Make only one entry for the interest. It is not at all unusual however, for two entries to be made, one for the full amount of the interest for 60 days and the other for the discount.

June 27. Received Oscar E. Hewitt's check for \$49.50 for our invoice of June 7.

June 28. Sold to Grant, Butler & Co., on account,

12 prs. men's Boston bluchers, at \$1.50	\$18.00	
20 prs. ladies' Dongola C. S. balmorals, at \$1.60	32.00	
12 prs. men's Para rubbers "Wilhite" at 75¢	9.00	\$59.00

June 29. Paid in cash our note dated May 30 in favor of Carpenter Bros., and interest. Face of note, \$259.26; interest, 30 days at 6%, \$1.30.

June 30. R. P. Smiddy & Co. presented a bill for drayage for the month which we paid in cash, \$22.45. Of this amount, \$3.50 was for delivering freight from the depot, and is chargeable to the In-Freight account. The balance was for deliveries to our customers, and is chargeable to the expense account. Make two entries in the cash book.

June 30. Cash sales for the week up to and including today, \$367.20.

Inventories June 30: Real estate \$15190.00; furniture and fixtures, \$817.50; Mdse., \$7375.62; insurance, 11 months' premium unexpired, \$79.06; interest accrued on our note for \$500.00 payable to Holmes & Ferguson, 48 days at 6%, \$4.00; salaries earned and unpaid \$24.58.

Post, take a trial balance, prepare statements, and close the ledger, proceeding as follows:

(1) Enter in the sales book, as its last item, the amount of cash sales for the month, as indicated by the footing of the cash sales column in the cash book. Post all unposted sales book items, the last item being posted to the cash sales account. Post the total of the sales book.

(2) Post all unposted purchase book items and post the total of the purchase book.

(3) Post all unposted journal items.

(4) Post all unposted cash book items, enter the footings of the special cash columns in the general columns and post them, and close the cash book with a balance, all as illustrated and described in detail on pages 128 and 129. Remember that the cash discount column is not a cash column.

(5) Take a trial balance, prepare statements, and close the ledger. The cash sales account will not appear in the trial balance; because the debit item posted to this account from the sales book and the credit item posted to it from the cash book just balance each other.

Transactions—Continued

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July 1. Received cash from Smith & Wellman to cover our invoice of May 30, \$120.15.

July 1. Sold to Oscar E. Hewitt, on account,

24 prs. women's tan vici bluchers, at \$2.25	\$54.00	
15 prs. men's gun metal bluchers, at \$2.85	42.75	\$96.75

July 1. Cash sales for the day, \$72.46.

July 1. Paid the salaries for the week ending today in cash as on June 3.

July 3. Sold for cash to E. W. Phillips,

12 prs. men's russet grain bluchers, at \$2.50	\$30.00	
20 prs. men's Congress calf, at \$1.75	35.00	
15 prs. boys' Para rubbers, at \$.65	9.75	\$74.75

The above transaction is to be carried through the ledger.

July 3. Accepted Carpenter Bros. draft on us at 10 days sight for \$71.40, the amount of their invoice maturing July 13.

July 3. Bought from Groves & Rood, terms 1/30 n/60,

12 prs. men's high cut work shoes, at \$4.20	\$50.40	
20 prs. youths' kangaroo grain high cut, at \$1.25	25.00	
12 prs. men's kid bluchers, at \$2.20	26.40	\$101.80

July 5. Paid Groves & Rood in cash for their invoice of June 25, \$88.20 less 2%.

July 6. Bought from Walker & Co., Columbus, Ohio, terms 3/10 1/30 n/60, invoice dated July 3,

24 prs. men's oil grain No-Seam balmorals, at \$1.10	\$26.40	
24 prs. men's gun metal bluchers, at \$2.10	50.40	\$76.80

Write the date of the invoice just to the left of the terms in the purchase book. The dates for discounting and the date for maturity are determined from this date.

July 6. Paid freight charges on the above in cash, \$1.15.

July 7. Paid cash for 750 2¢ stamps.

July 7. Sold to E. W. Phillips on his 30-day note at 6%,

24 prs. men's kid balmorals, at \$2.50	\$60.00	
24 prs. men's University calf bluchers, at \$2.95	70.80	
12 prs. men's Para rubbers, "Wilhite," at \$.75	9.00	\$139.80

July 8. Drew on Grant, Butler & Co. at ten days sight for the balance due on their account July 1, \$97.10. (No entry.)

July 8. Cash sales for the week ending today, \$410.25.

July 8. Paid the salaries for the week ending today in cash as on June 3.

July 10. S. D. Masters, senior member of the firm, was appointed executor of the estate of C. E. Masters, deceased, a brother. The estate consisted of an apartment building at 1419 W. Madison St. and 75 U. S. 4% bonds of 1921, par value \$100.00 each. The building and the bonds were to be sold and the returns, including income up to the time of the sale, were to be divided equally between C. N. Masters, a son, and Mary B. Groves, a married daughter, of the deceased.

The accounts of the estate are to be kept on the books of Masters & Co. Debit the *Apartments 1419 W. Madison St.* account and the *U. S. 4's 1921* account, and credit the *C. E. Masters Estate* account. Owing to uncertainty as to the value of the apartments, use a nominal valuation of \$1.00 for this item. The U. S. 4% bonds of 1921, including accrued interest to date, are worth \$121.60 each, and should be entered at this valuation.

July 10. Bought from Groves & Rood, accepting their draft on us at 60 days, without interest, for the amount of the invoice,

18 prs. youths' patent leather bluchers, at \$1.80	\$32.40	
30 prs. boys' gum overshoes, at \$1.00	30.00	
24 prs. boys' kid bluchers, at \$0.92	22.08	
36 prs. youths' kangaroo grain high cut shoes, at \$1.25	45.00	\$129.48

July 11. Received Grant, Butler & Co.'s acceptance dated July 10, due July 20, for \$97.10.

July 12. H. D. Berlin and L. W. Langley, both renters of apartments at 1419 W. Madison St., have paid their rent for June in cash, \$50.00 each.

Debit the cash account; credit the *Income from Apartments 1419 W. Madison St.* account. Write the entry in the balance column of the cash book, in order to separate it from the receipts of the business.

July 12. Paid cash for our note in favor of Holmes & Ferguson and interest for 60 days at 6%. The note was for \$500.00 and was dated May 13.

July 13. Bought from Carpenter Bros., terms 3/10 2/30 1/60 n/90,

24 prs. women's American rubbers "Good-sense," at \$.45	\$10.80	
24 prs. women's rubbers, "No-Heel," at \$.40	9.60	
24 prs. men's American rubbers "Quaker," at \$.60	14.40	\$34.80

July 13. Paid in cash Walker & Co.'s invoice dated July 3, \$76.80 less 3%. Included 10¢ exchange in the amount of the check.

July 13. Sold to E. W. Phillips, on account,

12 prs. men's rubbers, "Stick-on," at \$.85	\$10.20	
24 prs. boys' gum overshoes, at \$1.40	33.60	
12 prs. men's kangaroo grain "Ripless," at \$1.75	21.00	\$64.80

July 13. Redeemed our acceptance in favor of Carpenter Bros., maturing today, by a cash payment.

July 14. Received cash from Smith & Wellman to cover our invoice of June 14, \$33.30.

July 15. Cash sales for the week ending today, \$427.96.

July 15. Paid the salaries for the week ending today in cash as on June 3.

July 15. Repaired the plumbing in the apartment at 1419 W. Madison St. occupied by H. D. Berlin, paying the plumber's bill in cash, \$22.50.

Debit the *Income from Apartments 1419 W. Madison St.* account.

Post and take a trial balance, following the instructions on June 15.

July 17. Groves & Rood drew on us through the Harris Trust & Savings Bank for \$91.20, the amount of their invoice of June 16 without discount. Paid the draft in cash plus 20¢ collection fee. (Two entries in the cash book.)

July 18. Sold to Oscar E. Hewitt, for cash,

18 prs. boys' box calf bluchers, "Bulldog," at \$1.75	\$31.50	
12 prs. misses' kid bluchers, patent tip, at \$1.45	17.40	\$48.90

July 19. Received cash from Smith & Wellman to cover the balance due on our invoice of June 19. The amount of the invoice was \$68.70, but a return had been made on it of \$9.30 on June 21, and we had allowed them a claim of \$2.00 on June 23.

July 19. Bought from Groves & Rood, terms 2/10 n/30,

24 prs. infants' velour polish, patent tips, at \$.80	\$19.20	
24 prs. misses' Popular vici kid bluchers, at \$1.00	24.00	\$43.20

July 20. Discounted at 6% our acceptance in favor of Groves & Rood for \$129.48 (due Sept. 8, paying them in cash the amount due.

July 20. Bought from Walker & Co., Columbus, Ohio, on our 30-day note at 6%, their invoice dated July 16, our note having the same date as the invoice,

48 prs. men's King George oxfords, at \$2.60	\$124.80	
60 prs. women's Maxine button, at \$2.10	126.00	\$250.80

July 20. Paid the freight charges on the above in cash, \$2.85.

July 20. Advanced to C. N. Masters \$500.00 in cash against his share of the C. E. Masters estate.

July 20. Received cash from Grant, Butler & Co. for their acceptance due today, \$97.10.

July 21. Sold Grant, Butler & Co., on account,			
12 prs. King George oxfords at \$3.20,	\$38.40		
12 prs. women's Maxine button shoes, at \$3.00	36.00		\$74.40
			<hr/>

July 21. Bought from Carpenter Bros., terms 2/10 n/30,			
24 prs. men's Carey bluchers, at \$2.25	\$54.00		
24 prs. men's Boston bluchers, at \$1.10	26.40		\$80.40
			<hr/>

July 22. Cash sales for the week ending today, \$396.27.

July 22. Paid the salaries for the week in cash as on June 3.

July 24. Received cash from Oscar E. Hewitt in settlement of our invoice of June 24, \$96.00.

July 25. Sold for cash, at \$121.83 each, the 75 U. S. 4% bonds of 1921 held in trust for the C. E. Masters estate.

July 26. Bought from Walker & Co., Columbus, Ohio, terms 2/10 n/30, invoice dated July 24,

30 prs. ladies' Dongola C. S. balmorals, at \$1.00,	\$30.00		
24 prs. ladies' Dongola patent tip bluchers, at \$1.10	26.40		\$56.40
			<hr/>

July 26. Paid the freight charges on the above shipment in cash, \$1.85.

July 27. Sold for \$12,675.00 in cash the apartment building at 1419 W. Madison St., held in trust for the C. E. Masters estate. Paid 2% commission to B. R. Upham, the real estate agent who made the sale.

Credit the account of *Apartments 1419 W. Madison St.* for the full selling price and debit the same account for the amount of the commission, both items being carried through the cash book.

July 27. Sold to Oscar E. Hewitt, on account,

12 prs. men's Carey bluchers, at \$3.10	\$37.20		
15 prs. men's Boston bluchers, at \$1.50	22.50		\$59.70
			<hr/>

July 28. All the property of the C. E. Masters estate having been disposed of, S. D. Masters was allowed a commission of 1% of the gross cash returns, which returns amounted to \$21,658.75. Mr. Masters was entitled to this commission personally, but instead of withdrawing it in cash he allowed it to remain in the business as an addition to his investment.

Debit the account of the C. E. Masters estate. Credit the capital account.

July 28. Paid to C. N. Masters and Mary B. Groves, heirs of C. E. Masters, the amounts respectively due them.

Post all entries up to date. Close the *Apartments 1419 W. Madison St.* account, the *Income from Apartments 1419 W. Madison St.* account, and the *U. S. 4's, 1921* account into the *C. E. Masters Estate* account. The balance of the last named account is to be equally divided between the two heirs. This is done by two red ink closing entries.

Now pay to the heirs in cash the amounts shown by their accounts to be due them. When these two payments are posted, these two accounts, as well as all other accounts in which the affairs of the estate are recorded, will balance, and should be ruled to close.

July 28. Smith & Wellman having failed with liabilities amounting to \$14,500.00 and assets amounting to \$5800.00, we received a check for \$———— from the receiver, which we accepted in full of the account.

To determine the amount due from Smith & Wellman, you will have to post all items affecting that account. Since you are receiving only a part in satisfaction of the entire claim, you will make an additional entry in the journal debiting the loss and gain account and crediting Smith & Wellman for the amount necessary to balance Smith & Wellman's account after it has been credited for the cash received. The journal entry should be followed by a detailed explanation of the entire transaction.

- July 29. Paid cash to Groves & Rood to cover their invoice of July 19, \$43.20 less 2%.
- July 29. Cash sales for the week ending today, \$456.29.
- July 29. Paid the salaries for the week ending today in cash as on June 3.
- July 31. Paid Carpenter Bros. in cash for their invoice of July 21, \$80.40 less 2%.
- July 31. Paid in cash R. P. Smiddy & Co.'s bill for drayage, \$19.65, of which amount \$2.90 was for delivering freight to us, the rest being for deliveries to our customers.
- July 31. Cash sales for the day, \$69.27.

Inventories July 31. Real Estate, \$15,135.00; furniture & fixtures, \$811.75; merchandise, \$6757.42; insurance, 10 months' premium unexpired, \$71.87; interest accrued on E. W. Phillips' note in our favor, \$139.80, for 24 days at 6%, \$.56; interest accrued on our note in favor of Walker & Co., \$250.80, 15 days at 6%, \$.63; salaries due and unpaid, \$4.92.

NOTE—The receipts for the C. E. Masters estate were kept separate from the business receipts by being placed in the balance column, so that the general column on the debit side of the cash book shows the total of business receipts. The payments for the estate were entered in the general column on the credit side, however, so that it would be necessary to make allowance for these items in compiling any report of cash disbursements for the business.

THE MERCHANDISE ACCOUNT SUBDIVIDED

The custom of subdividing the merchandise account is becoming more and more general. The extent to which it is practiced varies according to the extent and needs of the business and the wishes of the proprietor.

Let us first assume a very simple case. Mr. Smith, instead of keeping one merchandise account, keeps three, headed respectively, Purchases, Sales and Mdse-General, the purposes of each being indicated by its title. On June 30, 191—, these accounts appeared as follows:

PURCHASES

191—

June	30	Total purchases	26	1250						
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SALES

191—

					June	30	Total sales	32	1497	50
--	--	--	--	--	------	----	-------------	----	------	----

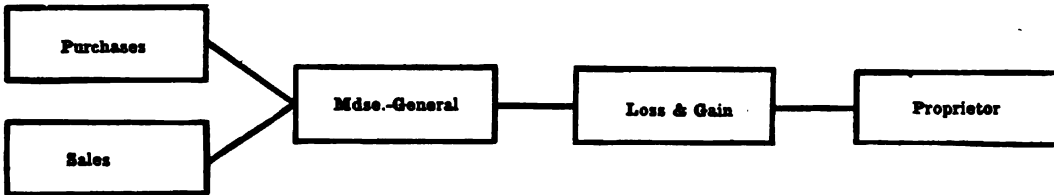
MERCHANDISE GENERAL

191—

June	1	Inventory		11500						
------	---	-----------	--	-------	--	--	--	--	--	--

The inventory of merchandise on June 30 is \$11,560.00. In closing his accounts, Mr. Smith first closes the purchases and sales accounts into the general merchandise account. Then he enters the June 30 inventory in the general merchandise account, after which he closes the latter into the loss and gain account, which in its turn is closed into the proprietor's account, all as shown by the following diagram:

DIAGRAM SHOWING PROCESS OF CLOSING



Problem 1. Open on a loose sheet of ledger paper the five accounts shown above. Write in them the following facts: Inventory July 1, \$15690.50; cash purchases during July, \$967.20; purchases on account during July, \$2367.70; cash sales during July, \$1560.45; sales on account during July, \$2769.38. In the loss and gain account the following losses for July are shown: Loss on real estate, \$250.00; loss on furniture and fixtures, \$78.50; loss on interest, \$21.63; net expenses, \$327.84. The balance of the proprietor's account July 1 was \$17680.00. The inventory on July 31 was \$15683.94. Close the accounts according to the diagram above.

Let us now assume a more extended subdivision of Mdse. Separate accounts are kept for *Goods Returned by Us* and *Goods Returned to Us*. The condition of these accounts and their relation to each other and to the other accounts of the business are shown in the analysis and diagram which follow.

ANALYSIS OF THE MDSE. ACCOUNT

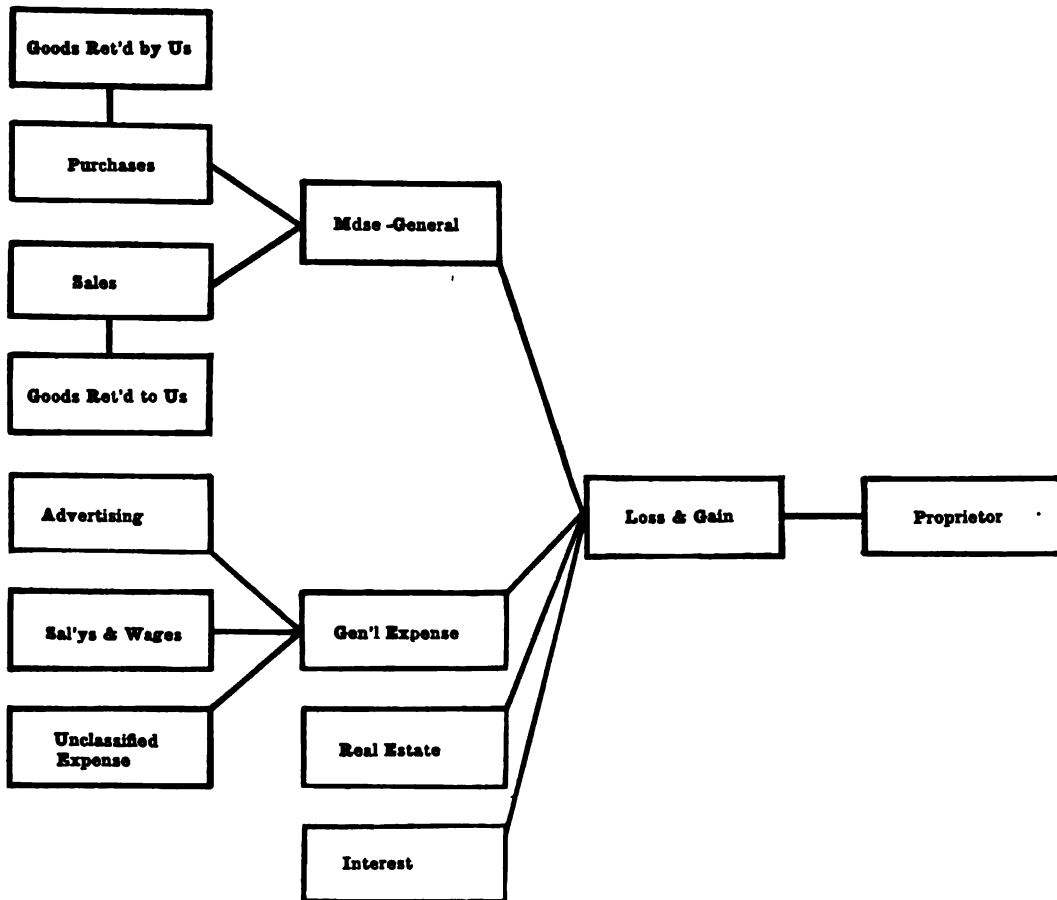
Inventory, Aug. 1, 191—,	\$13,426.75	Sales, August	\$4560.76
Purchases, August,	\$2500.00	Goods Ret'd to us	672.81
Goods Ret'd by us	426.50	Net sales	<u>\$3887.95</u>
Net purchases	2,073.50	Cost of goods sold	2749.50
	\$15,500.25	Gain (41½% of C. G. S.)	<u>\$1138.45</u>
Inventory Aug. 31	12,750.75		
Cost of goods sold	<u>\$ 2,749.50</u>		

ANALYSIS OF LOSSES AND GAINS

Advertising, August	\$ 24.50	Gain on Mdse as per analysis of merchandise account	\$1138.45
Salaries & Wages, Aug.	137.75		
Unclassified Expense, Aug. 99.60			
Total expenses	\$261.85		
Paid for Int.	\$42.60		
Rec'd for Int.	14.52		
Loss on real estate	150.00		
Total losses for August	<u>\$439.93</u>	Total losses for August as per <i>contra</i> *	<u>439.93</u>
		Net gain for August, 191—, (3% on capital of \$23284.00)	<u>\$698.52</u>

**Contra* means "opposite." In this case it means the other side of the analysis sheet.

DIAGRAM SHOWING PROCESS OF CLOSING



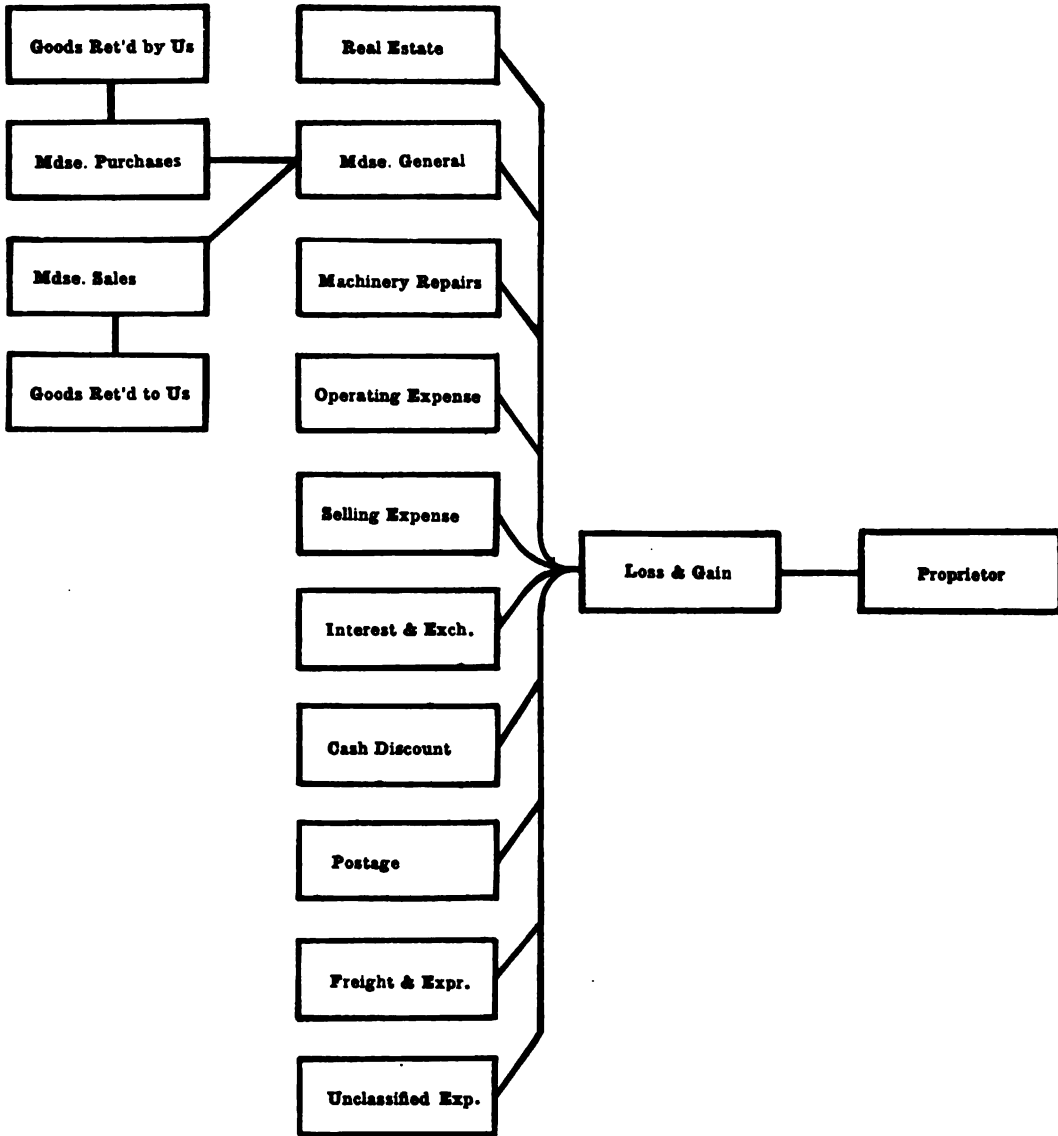
Problem 2. Open the accounts shown in the diagram above. Write in them the following facts. Prepare an Analysis of the Mdse. Account and an Analysis of Losses and Gains. Close the ledger as indicated by the diagram.

Inventory Sept. 1, 191—, \$17642.80; cash purchases during Sept., \$1026.70; purchases on account during Sept., \$2579.86; purchases on note as per journal during Sept., \$1500.00; goods returned by us during Sept., \$624.50; cash sales during Sept., \$1262.35; sales on account during Sept., \$3126.80; sales on note as per journal during Sept., \$1750.00; goods returned to us during Sept., \$1337.34; advertising during Sept., \$37.50; salaries and wages during Sept., \$350.00; other expenses during Sept., \$215.60; received for interest, \$27.68; paid for interest, \$75.00; depreciation in value of real estate, \$225.00. Inventory of Mdse. Sept. 30, 191—, \$18923.65.

Test in Closing—No. III

Accompanying your blank books is *Closing Test No. III*. Take a trial balance. Prepare an analysis of the trading account (Mdse.) and an analysis of losses and gains. Prepare a financial statement and close the financial accounts. Then close the loss and gain accounts in the ledger as indicated by the following diagram. Take a trial balance after closing. Note that the ledger covers a full year, from Jan. 1 to Dec. 31.

DIAGRAM SHOWING PROCESS OF CLOSING



Inventories Dec. 31, 191—, are as follows: Mdse., \$14189.38; items on hand charged to Unclassified Expense, \$551.61; accrued salaries and wages (liability, selling expense account), \$499.94; Real Estate, \$26651.33.

APPENDIX

TWO-PAGE STATEMENTS

The six pages following are to be studied instead of Lessons XVIII and XIX, if the teacher so instructs.

Two principal facts about his business which a man wishes to be in a position to ascertain are: (1) Its progress; (2) Its condition.

By "progress" is meant the gain or loss, as the case may be, during a certain period, or from one date to another. By "condition" is meant the worth, or net capital of the business at a given time.

Neither progress nor condition can be determined entirely from the ledger, as the

Loss & Gain Statement

<u>Debits</u>				
				000 00
Merch. Invty. Jan. 1, 191-				544 75
Purchases of Merch. during Jan.				544 75
Total cost of Merch. for Jan.				314 56
Less Invty. Jan. 31				230 19
Cost of goods sold				222 22
Gain on trading <small>(read Inv.)</small>				222 22
Furniture and fixtures		Dr.	???	???
		Cr.	??	
			???	???
		Invty. 1/31	350	???
Expense				??
Net gain <small>(read Inv.)</small>				222 22
				222 22

inventories must be known before either can be determined, and the ledger does not show inventories. Most of the necessary facts, however, are shown in the ledger.

The Loss and Gain Statement

The progress of the business is shown by a specially prepared statement called the Loss and Gain Statement. The facts from which it is compiled are found in certain accounts of the ledger and the inventories. Before proceeding to analyze this statement or to study its form, solve the six problems on page 57. If you do this work thoughtfully, you will be led unconsciously into an understanding of the principles underlying the Loss and Gain Statement, though its form will still be unfamiliar to you.

Study carefully the illustration given herewith and the explanation accompanying it and prepare a loss and gain statement for F. R. Elliott's business as it stood on Jan. 31. It is assumed that all the accounts in your ledger are correct, and that your trial balance of Jan. 31 has been approved by your teacher. It is also assumed that you can determine which accounts show loss or gain and which do not.

In order to prepare the loss and gain statement, you must know the inventories, which are as follows: Mdse., \$314.56; furniture and fixtures, \$350.00. (Accrued interest on notes receivable, being very little, is not taken into consideration here as an inventory.)

for Month of January, 191-

		<u>Credits</u>			
		<i>Sales of Mdse. during Jan. 191-</i>			?????
					?????
		<i>Gain on trading brought down</i>			?????
		<i>Interest & Discount</i>			?????
		<i>Cr.</i>	???		
		<i>Dr.</i>	??		???
					?????

In form, your statement will be like the model shown herewith. The amounts will have to be supplied by you from your ledger footings and the inventories given above.

Explanation. To determine the progress of a business it is necessary to know the amounts of the separate losses and gains. The difference between the total of the losses and the total of the gains is the net loss or net gain for the period of time covered by the statement.

The form shown extends across two pages and is divided into two sections. The first section is called the trading section. It presents the facts as to the trading in merchandise that has been done, and its result is the net gain (or loss) on trading. This result is carried down into the second section. The second section exhibits all of the gains and losses of the business, including the gain on trading as brought down.

Sometimes a third section is added in which are shown gains and losses arising from outside business or investments, and a fourth section which shows how the net gain is disposed of. For present purposes, however, the simple form is entirely satisfactory.

Trading Section. The first item on the debit page is the amount of the inventory of merchandise at the beginning of the period covered by the statement (in this case, 0). Add to this the purchases of merchandise during the month as shown by the ledger, debit side, and any other items of cost chargeable to merchandise (in this case, there are no other items). From the total so secured subtract the inventory at the end of the period. The result is the cost of the goods sold. Write on the credit page the amount of the sales for the month as shown by the ledger, credit side. The difference between the total sales and the cost of goods sold is the gain on trading, which is entered in red ink on the debit page and brought down in black ink into the second section of the statement, on the credit page.

Loss and Gain Section. The debit page is for losses; the credit page is for gains. The first item on the credit page is the gain on trading, brought down from the trading section. The second item is the gain on the interest and discount account. This is determined by subtracting the debits from the credits shown by the account, the computation being written in the inner column on the credit page. The two items of gain are then added.

Financial Statement.

<u>Assets</u>			
	Cash		??????
	Merch. Invty. Jan. 31, 191-		31456
	Furn. & Fix. Invty. Jan. 31, 191-		350
	Notes Receivable		???
	H. E. Runyon		????
	L. V. Bradley		???
			??????

The first item on the debit page, second section, is the loss on furniture and fixtures. This is ascertained by subtracting the credit footing of the account from the debit footing and from the result so secured subtracting the inventory at the end of the month. All this is done in the inner column and the result, the net loss on the account, is entered in the principal column. Below this item is written the item of loss on expense. All losses and gains have now been considered and the difference between the two sides as they now stand is the net gain of the business for January.

The Financial Statement

One of the two principal statements that the bookkeeper has to prepare relates to the condition of the business. This statement is called the Financial Statement. The facts from which it is compiled are found in certain ledger accounts and in the inventories. Before proceeding to analyze this statement or to study its form, solve the five problems on page 55. If you do this work thoughtfully you will be led unconsciously into an understanding of the principles underlying the Financial Statement, though its form will still be unfamiliar to you.

Study carefully the illustration given and the explanation accompanying it, and prepare a financial statement for F. R. Elliott's business as it stood on Jan. 31.

In form, your statement will be like the model shown. The amounts will have to be supplied by you from your ledger footings and the inventories which have already been given.

Explanation. To determine the condition of a business, two things must be known: (1) What things of value does the business own (assets)? (2) What does the business owe (liabilities)? The difference between the total of assets and the total of liabilities is the net capital or present worth of the business.

The assets are written on the left-hand page; the liabilities, on the right. It is the usual practice to list cash first among the assets. Determine the balance of cash by deducting the credit footing from the debit footing, and write this item on the first line on the left-

January 31, 191-

<i>Liabilities & Capital</i>			
<i>Notes Payable</i>			<i>???</i>
<i>Dale & Allen</i>			<i>???</i>
<i>Net capital, Jan. 1, 191-</i>	<i>467625</i>		
<i>Net gain as per Loss & Gain Stmt.</i>	<i>???</i>		
<i>Net capital, Jan. 31, 191-</i>			<i>?????</i>
			<i>?????</i>

hand page. Next list the inventories as given on page 145. Next examine your ledger to determine what other assets and liabilities the accounts show. The first account is F. R. Elliott's account, which is neither an asset nor a liability, but shows the proprietor's investment in the business. The next five accounts are loss or gain accounts and have already been used in the preparation of the loss and gain statement. Next is the cash account, which you have already entered as an asset. Next is the notes receivable account; enter its balance as an asset, as shown. The next two accounts are personal accounts with debit balances; these balances are assets, and should be entered as such. Finally, the notes payable account and Dale & Allen's account have credit balances; these balances are liabilities, and should be entered as such. The net capital is the difference between the total of the assets and the total of the liabilities.

Net capital is also the sum of the invested capital and the net gain for the month, and is so shown on the statement. The fact that the net capital shown by the latter method added to the liability side of the financial statement makes the two sides of the statement equal, constitutes a proof of the accuracy of the two statements.

Read the note at the end of Lesson XVIII.

Take up the regular lessons of the text beginning with Lesson XX, using the two-page forms in preparing all statements.

How to Read a Financial Statement

Financial statements are often submitted to bankers and others from whom it is desired to borrow money or to buy on credit. The relation between borrower and lender is not vastly different from that existing between buyer and seller, although a lender of money, because of the fact that his profit is usually less and his field of opportunity wider, is usually more cautious than the seller of goods, who makes more profit and whose customers are limited to those selling the line of goods he handles.

The banker or credit man should know how to read a statement, and this requires greater knowledge and keener insight than is required for the mere construction of the statement.

How to read a statement is too broad a subject to be treated in full in a beginner's text, but even the beginner should be able to arrive at certain reasonable conclusions from the examination of some of the simpler forms of statement.

Examine the following statements,* both of which are of mercantile concerns, and answer the questions.

*No attempt is made at a complete or in any sense adequate treatment of the subject *How to Read a Financial Statement*, or of credits. The sole purpose of this short exercise is to arouse the student's interest and to provide material for a class discussion in which all students may profit through interchange of ideas in answering questions on matters which are in most instances matters of individual judgment.

The estimation of a man's financial standing and how much credit he is entitled to receive is not an exact science and never can be, because credit is not determined alone from the showing of a set of books. Many things must be taken into consideration in the determination of credit. None the least of these in importance are the integrity and business ability of the person wishing credit. There are many large mercantile credit agencies, among whom are Bradstreet and Dun, which exist solely for the purpose of investigating the credit standing of business concerns, and there are many local concerns engaged in the same work. Every business house has at least one person upon whom it devolves to say whether a customer is entitled to the credit he desires, or not. Often there is a "credit man" who attends to this kind of work exclusively; and in many cases a large force of employees is kept busy in the credit department. The work of determining credits offers to the young man of ability, application, and intelligence a very attractive and remunerative field.

F. H. WILSON'S FINANCIAL STATEMENT,
JUNE 1, 191—

<i>Assets</i>	
Cash	\$10000.00
Real Estate	15000.00
Furn. & Fix.	2000.00
Mdse. Invty.	12000.00
Notes Rec.	2500.00
Interest Rec.	26.75
Accounts Rec.	7500.00
	<u>\$49026.75</u>

<i>Liabilities</i>	
Notes Pay.	\$2200.00
Interest Pay.	10.25
Accounts Pay.	7200.00
	<u>\$ 9410.25</u>
Net capital	<u>\$39616.50</u>

GEO. H. ROCKWOOD'S FINANCIAL
STATEMENT, JUNE 1, 191—

<i>Assets</i>	
Cash	\$750.00
Real Estate	7800.00
Furn. & Fix.	3500.00
Mdse. Invty.	35000.00
Notes Rec.	5000.00
Interest Rec.	567.20
Accounts Rec.	15000.00
	<u>\$67617.20</u>

<i>Liabilities</i>	
First Nat'l Bank Loan	\$5000.00
Notes Pay.	8000.00
Interest Pay.	750.00
Accounts Pay.	9500.00
	<u>\$23250.00</u>
	<u>\$44367.20</u>

NOTES: Real estate and furniture and fixtures are considered slow assets. Cash, notes receivable and accrued interest, and accounts receivable are considered quick assets. Merchandise in some lines of business is classed with quick assets, while in other lines it is classed with the slow assets. For the purpose of the present discussion consider Mdse. a quick asset. If the strength of the statement seems to depend too much upon one item in the statement, that item should be especially investigated. Notes payable and accrued interest, and accounts payable, are considered urgent liabilities. Long time loans and mortgages are not classed with urgent liabilities, and it is important to know when such items mature.

QUESTIONS ON F. H. WILSON'S STATEMENT

1. What per cent of the total assets are quick assets?
2. What per cent of the total assets are covered by capital?
3. What per cent of the total assets are covered by what is in reality borrowed capital though not so called?
4. What is the relation of quick assets to urgent liabilities?
5. What would happen if the creditors should all demand payment at once?
6. Barring loss of his cash, could any series of misfortunes bankrupt F. H. Wilson?
7. Assuming an average rate of 6% on notes, are the notes receivable of long standing? The notes payable? What inference can you draw from the conclusion reached in answer to the foregoing questions?
8. State how much credit you would extend to F. H. Wilson without special security. How much money would you loan him if he would assign all his assets to you as security?

QUESTIONS ON GEO. H. ROCKWOOD'S STATEMENT

- 1 to 5. Same as above.
6. Is there any item from which you might draw an inference as to whether the notes receivable are of long standing or not? The notes payable and loan?
7. Is the proportion of accounts receivable to total assets greater or less than in F. H. Wilson's business? What suspicion does this give rise to? How can you go about it to either verify or set at rest this suspicion?
8. In what one account is a very large proportion of the capital tied up? How should this account be investigated?
9. How much would you sell to Geo. H. Rockwood on credit? How much would you loan him if he would assign all his assets to you as security? Who would you probably wish to consult before making him any loan?

NOTE.—If personal property and homestead property are listed among the assets, the credit man should determine to what extent such property is legally exempt from execution. For this reason, credit rating agencies usually secure the names and addresses of the members of a firm, with information as to whether they are married or single. In case of corporations, the line of investigation is somewhat different.

SINGLE ENTRY

PRELIMINARY CONSIDERATIONS

You have now mastered the elementary principles of double entry bookkeeping. This will make the work of single entry very easy, as there is nothing in single entry that you have not already learned in double entry. Before proceeding with the single entry set, however, work the following problems:

Problem I. W. S. Ashby keeps a double entry ledger. On June 30, 1910, he attempted to take a trial balance but found that one page of the ledger, the page on which was his own account as proprietor, had been so defaced that the balance could not be read. Everything else was legible and correct. Make a copy of the partial trial balance shown below and complete it by inserting W. S. Ashby's balance and the footings:

W. S. ASHBY'S PARTIAL TRIAL BALANCE, JUNE 30, 1910

	1526	72	
Cash	5000	00	
Real Estate	670	00	
Furniture & Fixtures	4000	00	4250
Mdse	500	00	
Expense	500	00	
J. S. Dickey	363	50	
J. L. Harmon			
Cherry Bros.			1076
W. S. Ashby			85
	*****	**	*****
			**

Problem II. A. C. Minter keeps a single entry ledger. On July 31, 1910, he found that the page of his ledger on which his account as proprietor had been kept had been destroyed. Since a single entry ledger contains no accounts except with persons, the only information that can be secured from Mr. Minter's ledger is that personal accounts receivable and payable stand as follows: C. V. Burton, Dr., \$49.60; Cr., \$10.00. A. D. Taylor, Dr., \$175.60; Cr., \$62.50. H. P. Towers, Dr., \$265.00; Cr., \$125.50. Libby & Son, Dr., \$100.00; Cr., \$243.64. Manning & Martin, Cr., \$215.00

Your problem is to find Mr. Minter's present worth, or the net capital of the business. If there were no other assets or liabilities besides the personal accounts in the ledger, the problem would be simple. But you know that there are usually other assets, and you expect to find them in this case. You therefore question Mr. Minter and he replies, as follows:

You: "How much cash have you on hand?" Mr. Minter (indicating the cash drawer): "About \$480.00." Opening the cash drawer, you find in it \$457.63 in currency and coin, and R. D. Smith's check for \$25.00 payable to Mr. Minter. In taking out the cash to count it, you come across a note signed by T. J. Green in Mr. Minter's favor for \$500.00, and a list of goods on hand totaling \$5647.20. You: "I find here a note for \$500.00 signed by T. J. Green. Do you hold any other notes?" Mr. Minter: "No; but I owe \$1000.00 to the First National Bank on a note. There are no other notes either receivable or payable." You: "Do you owe any interest on the note in favor of the bank or is any interest due you on Mr. Green's note?" Mr. Minter: "Some interest has accrued on each note but the two interest items exactly cancel each other." You: "Is this list of merchandise on hand correct?" Mr. Minter: "Yes. it was taken yesterday." You: "Is there any other property belonging to the business?" Mr. Minter: "The store fixtures are mine, and I value them at \$500.00. There is no other property belonging to the business, and I do not owe a cent except for the accounts shown in the ledger and the note for \$1000.00."

Prepare a financial account, as you always have in previous sets. The only difference is that in this case less information can be secured from the ledger than from a double entry ledger. The net capital shown by the statement should appear in the ledger as the credit balance of the proprietor's account.

INTRODUCTION TO SINGLE ENTRY

Progressive business men prefer double entry because they find it desirable to know certain facts about their business affairs which a single entry system will not reveal. This is especially true when their business interests are large or extensive, in which case a double entry set of books is almost imperative.

While pure single entry is little used among the best houses, many retail concerns employ a combination of single and double entry, and for this reason, if for no other, it is well for the student to understand what the single entry method is. The work of this chapter will be of value to the student in teaching him the principles of single entry, not so much because he may be called upon to keep a set of single entry books, but because he is likely to come in contact with accounting in which some single entry features are incorporated in a double entry system, subordinate to the general double entry scheme.

Single entry bookkeeping is a method of keeping unrelated memorandums and records of business transactions such as the proprietor of a business may deem necessary for his protection and information.

The facts of which memorandums are usually kept in single entry are: (1) The receipts and payments of cash, (2) The charges against and credits to persons, on account. Sometimes the inventories of property owned are kept as a matter of record.

Single entry derives its name from the circumstance that each entry is a record of a single fact, either a debit or a credit, rather than a record of two or more facts affecting both sides of the ledger equally, as in double entry.

Comparison Between Single and Double Entry.

In Single Entry, accounts are kept only with persons, cash and sometimes property inventories, and since accounts with persons and cash, and inventories, must exhibit either assets or liabilities, and not losses or gains, it is apparent that separate losses and gains cannot be shown by the single entry method. This failure to show the separate losses and gains constitutes the chief disadvantage of single entry as a system, and is the principal reason for its inferiority to double entry.

In double entry, equal debits and credits are recorded for every transaction. These are posted to the ledger. As the debits posted are exactly equal to the credits posted, the equality of the two sides of the ledger is constantly preserved. If the trial balance fails to exhibit this equality, the bookkeeper at once knows (provided no original entry is out of balance) that there has been an error or omission in posting. When the single entry method is used, the bookkeeper has no such systematic, almost automatic, device for the detection of errors of this kind (errors in posting), which occur more frequently, probably, than all others combined.

Double entry is a scientific system of bookkeeping by which the chances of error are reduced to the minimum and under which it is possible to so classify and analyze the business transactions that almost any desired facts in regard to the progress or condition of the business can be ascertained. Single entry is an unscientific bookkeeping expedient by which only the barest facts as to the current assets and liabilities of the business are set forth with no further guarantee of their accuracy than the carefulness of the bookkeeper who made and posted the entries.

A SINGLE ENTRY SET

Since the facts which are to be recorded in single entry have to do with persons and cash only, as has been stated, it is only necessary that three books be kept, as follows:

- (a) The Cash Book, in which are kept the receipts and disbursements of cash.
- (b) The Day Book, in which debits and credits to personal accounts are recorded as they occur.
- (c) The Ledger, to which the items in the day book are posted.

Auxiliary books or books of memorandum of almost any kind can be kept if desired; as, the bill book, invoices payable register, etc.

THE CASH BOOK

The single entry cash book usually differs in form from the double entry cash book, though not necessarily so. The accompanying illustration shows the first few cash book entries and also shows the method of ruling for balancing the book. Note that the Debit and Credit columns are side by side on the same page. This arrangement affords a wide column for the explanatory matter and presents the debits and credits in the order in which they occurred. Note the placing of the dates, and do not forget the year dates.*

19—		CASH BOOK	Dr.	Cr.
Oct.	1	Cash invested as per Day Book entry	*** **	
	1	Paid rent for October, 1910, by check		***
	6	Paid The American Cereal Co. in full of account		***
	6	Paid Students' salary for week ending Oct. 6		***
	6	Received from cash sales as per Cash Reg.	** **	
	6	Balance		****
			*** **	*** **
Oct.	8	Balance	*** **	

THE DAY BOOK

This book corresponds to the double entry journal in that it is the book in which the original entries of debits and credits are made which are later posted to the ledger, and in the fact that the entries are made as the transactions occur and in the order of their occurrence. It is also somewhat similar in form and ruling to the double entry journal. But here the resemblance ends. The single entry day book does not record equal debits and credits as does the double entry journal, but each entry records a single debit or a single credit, as the case may be. The separate items, if any, are written in the left-hand column and the total in the right-hand column. In this set the total only is posted, but the separate items could be posted instead, if preferred. The following form shows a few typical day book entries for the single entry set.

Note that opposite the name of each account debited or credited in the day book is placed the abbreviation *Dr.* or *Cr.* This is the means of indicating which side of the ledger the transaction is to be posted to, and *you must not forget to write it* as you make each entry.

*These and other forms shown in this chapter are intended as illustrations merely, and are not to be relied upon by the student in writing entries in his books.

Note that the transaction on Oct. 6 appears in both the cash book and the day book. Whenever any money is paid out, an entry is made in the cash book to show the payment of cash; if the payment is on account, another entry is made in the day book to show the debit of the personal account. When money is received on account, an entry crediting the person is made in the day book, and the cash received is recorded in the cash register, the total being periodically entered in the cash book as a receipt, as will be shown later.

DAY BOOK
October 1, 19--

F. P. Nissen, Proprietor Cr. F. P. Nissen is engaged in the retail grocery business at 105 Oak Park Ave., Oak Park, Ill. His assets at this time are as follows: Cash in bank Cash in cash register Stock of groceries on hand valued at Horse and wagon valued at Furniture and fixtures valued at Accounts receivable as follows. Mrs. Wm. Conant, 110 S. East Ave. Mrs. Chas. P. French, 157 S. East Ave.	**** **** **** **** **** **** **** ****	**** **** **** **** **** **** **** ****	**** **** **** **** **** **** **** ****	**** **** **** **** **** **** **** ****	**** **** **** **** **** **** **** ****
1					
Mrs. Wm. Conant, 110 S. East Ave. Dr. To groceries as per order slip No. 1					***
2					
Mrs. Chas. P. French, 157 S. East Ave., Cr. By cash on account					****
4					
H. J. Heinz Co., 1814 S. Clark St., Chicago Cr. 3 doz. Med. Baked Beans and Sauce 1.40 1 doz. 10-oz. Royal Select Queen olives 2 doz. 8-oz. Octagon Ketchup 1.35	** ** **				*** *** ***
6					
The American Cereal Co., 9 Jackson Boul., Chicago Dr. To cash in full of account					***

THE LEDGER

The single entry ledger differs from the double entry ledger in form only, though it does not necessarily differ even in that respect, because a center-ruled ledger could be used as well for single entry as for double entry. Following is an illustration of the form used in this set.

		MRS. WM. CONANT 110 S. East Ave.		Dr.	Cr.
19--					
Oct.	1	Balance due		**	
	1	To groceries as per order slip No. 1		**	
	5	To groceries as per order slip No. 7		**	
	6	By cash as per Day Book			****
	8	To groceries as per order slip No. 15		**	
	12	To groceries as per order slip No. 22		**	

Order Slips

Your outfit contains a pad of blank order slips. These ordinarily come in duplicate and are filled out by the salesman, who sends one copy with the goods and one copy to the cashier's desk. Sometimes order slips come in triplicate, the third copy being put to some special use in connection with either the accounting of delivery system.

In order that you may get a comprehensive idea of the procedure in the retail grocery business, you are to perform a part of the duties of the salesman in addition to your work as bookkeeper and cashier. As salesman you are to fill out the order slips. As cashier, you have charge of the cash register. As bookkeeper you make the proper entries in the books for all transactions.

The duties of cashier and bookkeeper are so intimately connected that they are usually performed by the same person; and it is not unusual, especially in the smaller stores, for the bookkeeper and cashier to act as salesman as well, especially at times when there is no other salesman in the store, or when an order comes by telephone.

The pad of order slips which accompanies your outfit consists of single slips. It will be assumed that, as salesman, you have filled them out in duplicate and send both copies

to the cashier, who after stamping on the duplicate the date and number of the sale, the amount and kind of the sale, and the initial of the salesman (all done automatically by the cash register in one operation), has sent it with the goods. The original, which is the slip you fill out, is filed. When you fill out an order, write at the bottom the expression "Charged," "Paid," or "C. O. D.," as the case may be.

Filled orders are either taken away by the customer or sent to the delivery clerk to be delivered, but you will have nothing to do with this part of the work. The duplicate order slip accompanies the goods whether the goods are taken by the customer or sent to the delivery clerk.

The order slip must always contain the name and address of the customer, if it is a charge slip, whether the goods are taken by the customer or delivered. C. O. D. goods are always delivered; therefore the name and address must always be written on a C. O. D. slip. In the case of paid orders, the name and address of the customer must always be shown if the goods are to be delivered.

F. P. NISSEN				
105 OAK PARK AVENUE				
GROCERIES AND MEATS				
Oak Park, Ill. 10/1 19__				
Sold to <i>Mrs. William Conant</i>				
Salesman <i>A</i> Address <i>110 S. East Ave.</i>				
Quan.	ARTICLES	Price	Amount	
1	<i>Leg Spring Lamb 5 lb.</i>	20	1	00
2	<i>cans French Peas</i>	15		30
2	<i>heads Lettuce</i>	12		24
1	<i>bot. Olive Oil</i>			30
1	<i>lb. Butter</i>			38
			2	22
	<i>Charge</i>			
	1			

ORDER SLIP

Cash Slips

If the customer pays for the goods and takes them with him, an order slip is not made out. A cash slip is filled out. This does not contain the name and address of the customer, but is a mere list of the items sold, with the total, if more than one item is sold.

At the top of the slip are printed the words "Pay the Cashier"—a direction to the customer. The cash slips are numbered consecutively and each is attached to a stub which bears the same number, on which the amount of the sale must be noted at the time the slip itself is made out.

No. 1		\$.64	
Perforated line			
F. P. NISSEN, Groceries and Meats			
Pay the Cashier			
Salesman <i>A</i>		OAK PARK, ILL., 10/1 19...	
Quan.	ARTICLE	Price	Amount
2	Bread	05	10
1	lb. Bacon		28
1	doz. Eggs		26
			64
1			

CASH SLIP

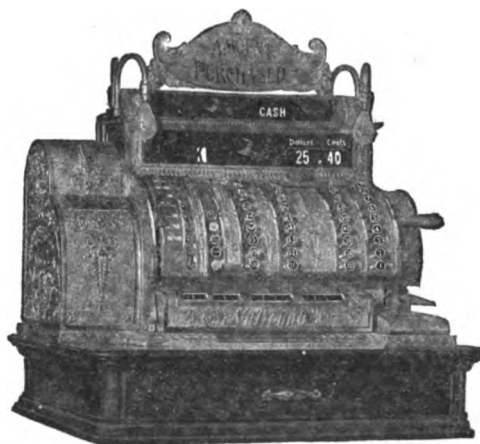
Customers' Receipts

When a customer makes a payment on account, a customers' receipt is issued for the amount recorded in the cash register as received. These are ordinarily issued in duplicate; one copy is given to the customer after being placed in the machine and stamped; the other copy is retained and filed.

The pad of customers' receipts which accompanies your outfit consists of single slips. These are to be filed by the cashier, it being assumed in each case that a duplicate has been made, stamped, and given to the customer.

The Cash Register

In connection with the retail grocery business which is illustrated in the following single entry set, it is assumed that the student as cashier uses a cash register, now considered to be an almost indispensable adjunct of an extensive retail business. The cash register is an automatically-locking device for holding money, which can be unlocked and opened only by pressing buttons or keys in front. There are five rows of these buttons consisting of nine buttons each. When the cashier presses the proper buttons, the money-drawer opens and at the same time the interior mechanism of the cash register automatically records upon a narrow roll of paper, called the "detail strip," the amount of the sale or payment together with the initial of the salesman and the kind of sale or payment. *Cash Sales, Cash Received on Account, C. O. D. Sales, C. O. D. Cash Returns, C. O. D. Goods Returned, Goods Returned on Account, Charge Sales and Cash Sales*, are all recorded on the detail strip in the order of their occurrence, and each kind indicated by a special abbreviation or sign. The machine constantly shows the number and the totals of each of the different kinds of transactions recorded. The cash register has one button marked "No sale" which can be



CASH REGISTER

pressed when the cashier wishes to open the register without recording a receipt or sale, as when it might be desired to accommodate some one by changing a bill.

Whenever any sale or payment is recorded, the cashier inserts in the machine the duplicate of the order slip or other voucher used, and the machine automatically stamps upon it the record of the transaction. Some machines issue little cardboard tickets properly stamped, instead of printing the record directly upon the voucher. These stamped records, whether they be printed upon the vouchers or upon separate tickets, constitute a check upon the accuracy and honesty of the cashier and show the customer that the proper records of transactions are being made.

Cash Register Sheets

As it is not practicable for each student to have a cash register, there are provided for each outfit several sheets of paper (Cash Register Sheets) ruled with columns to represent the different kinds of transactions for which the cash register shows separate totals. Instead of actually pushing the buttons of a cash register and thus making the records on the detail strip, you will make pen and ink records in the columns of the specially ruled sheets provided.

CASH REGISTER SHEET

	Cash Sales	Cash Rec'd on Acct.	C. O. D. Sales	C. O. D. Cash Returns	C. O. D. Goods Return'd	Goods Return'd on Acct.	Charge Sales	Cash Paid Out
Change in register Oct. 1, 19—	** **	** **	* **	* **			** **	* **
	** **	* **					* **	** **
	** **	** **					* **	
	* **	* **					* **	
	** **						* **	
	** **						* **	
	** **						* **	
	** **						* **	
	** **						* **	
	** **						* **	
	** **						* **	
	** **						* **	
	** **						* **	
	** **				0.00	0.00	** **	** **

File

Accompanying your outfit you will find a file containing three sections. This file is for your convenience in disposing of papers that you make out. In the first section C. O. D. sales slips are placed temporarily while the orders are being delivered. In the second section are placed the cash slips, the paid order slips (which are in effect the same as cash slips), the C. O. D. paid slips, and the customers' receipts. In the third section are placed the charge sale slips and also the goods returned slips. It is assumed that whenever any slip of any kind is issued one copy goes in our files and one copy goes to the customer. Note that the papers in the *Cash Sales and Cash Receipts* section of the file will exactly check with the total cash receipts as shown by the Cash Register Sheet.

YOUR DUTIES SUMMARIZED

- (1) Fill out the order slips, cash slips, and customer's receipts as these are required
- (2) Make pen and ink records on the Cash Register Sheets of amounts which would ordinarily be recorded in the cash register.
- (3) Make the bookkeeping entries.

Following is a list of the different kinds of transactions and the procedure in each case, except as to the filing, directions for which will be given in connection with specific transactions.

- (a) Cash sale, taken. Fill out a cash slip and record the amount received on the Cash Register Sheet.
- (b) Cash Sale, delivered. Fill out an order slip and record the amount received on the Cash Register Sheet.
- (c) Cash received on account. Fill out a customers' receipt, make a record on the Cash Register Sheet, and make an entry in the day book.
- (d) C. O. D. Sale. Fill out an order slip and make a record on the Cash Register Sheet.
- (e) C. O. D. Cash Returns. Make a record on the Cash Register Sheet.
- (f) C. O. D. Goods Returned. Make a record on the Cash Register Sheet.
- (g) Charge Sale. Fill out an order slip, make a record of the transaction on the Cash Register Sheet, and make an entry in the day book.
- (h) Goods Returned on Account. Make an entry on the Cash Register Sheet, and give the customer credit in the day book.
- (i) Cash Paid Out. Make a record on the Cash Register Sheet and an entry in the cash book. If the payment be on account, an entry in the day book is also necessary.
- (j) Purchases on account are entered in the day book as they occur.

At the end of the day, or whenever it seems desirable, the *Cash Sales* column, the *Cash Received on Account* column, and the *C. O. D. Cash Returns* column of the Cash Register Sheet are footed and added together and the grand total is entered in the cash book as a receipt, as shall be explained in greater detail hereafter.

In entering sales on account in the day book it is not necessary to itemize them, as we have itemized records on the order slips which are filed; nor is it necessary to itemize goods purchased, as these items would show on the invoices which would also be filed. Entries of purchases should show the date, the name and address of the person bought from, the terms of purchase and the amount.

In working the following transactions, remember that there are only two things we must keep account of in Single Entry: (1) Receipts and disbursements of cash, (2) Debits and credits affecting personal accounts. Also remember that no entry records anything but a single debit or a single credit.

Before beginning the work of the set, see to it that the charge slips are numbered consecutively from 1 to 30, that the cash slips and their corresponding stubs are numbered from 1 to 20, and that the customers' receipts are numbered from 1 to 10.

TRANSACTIONS

October 1, 19—. F. P. Nissen is engaged in the retail grocery business at 105 Oak Park Ave., Oak Park, Ill. His assets at this time are as follows:

Cash in bank*	\$500.00
Cash in cash register	67.60
Stock of groceries on hand valued at	5432.69
Horse and wagon valued at	275.00
Furniture and fixtures valued at	450.00
Customers owe him as follows:	
Mrs. Wm. Conant, 110 S. East Ave.	\$13.56
Mrs. Chas. P. French, 157 S. East Ave.	23.47
Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth Ave.	5.89
Mrs. Louis N. Mellick, 364 S. Euclid Ave.	27.56
Mrs. Ward. N. Seabury, 175 Forest Ave.	16.27
Mrs. N. N. Richards, 154 Circle Ave., Forest Park	4.23
Mrs. Wm. Beye, 264 Wisconsin Ave.	12.50
Mrs. Phillip Furbeck, 1110 South Boulevard	6.78
His liabilities are as follows:	
National Biscuit Co., 110 N. Morgan St., Chicago	\$27.60
The American Cereal Co., 9 Jackson Boul., Chicago	8.95
H. J. Heinz Company, 1814 S. Clark St., Chicago	23.42
Armour & Co., 239 S. Water St., Chicago	17.75
Washburn-Crosby Co., 145 Van Buren St., Chicago	124.68

Steps necessary to open the single entry books

1. Enter in the cash book the amount of cash on hand.
2. Open accounts in the ledger with the proprietor, all customers, and all creditors, in the order named, allowing one-third of a page for each account. Enter in the customers' and creditors' accounts the balances shown by the opening statement.
3. Make a day book entry crediting the proprietor with the total of the assets of the business, listing the items at the bottom of the entry. Make another entry debiting the proprietor with the total of the liabilities of the business, listing the items below. Post both of these entries to the proprietor's account on page 1 of the ledger.

After opening the books as above, enter the amount of change on hand (\$67.60) on one of the Cash Register Sheets, at the top of the left-hand column, with the explanation "Change on hand Oct. 1, 19—." Give the sheet the number 1. You are now ready for business.

OCTOBER 1, 19—

Transaction No. 1. Paid rent for October by check, \$100.00.

Enter this in the cash book only. As the payment was by check, the transaction is not recorded on the Cash Register Sheet.

Transaction No. 2. Sold for cash 2 loaves bread, at 5¢; 1 lb. bacon, 28¢; 1 doz. eggs, 26¢.

Make out a cash slip. Record the amount received on the Cash Register Sheet, in the left-hand column. File the cash slip in the section of the file marked *Cash Sales and Cash Receipts*.

* The student is not required to keep a bank pass book, but whenever necessary he will be told what the bank balance is.

Transaction No. 3. Sold to Mrs. Wm. Conant, 110 S. East Ave., on account, 1 leg of spring lamb, 5 lbs. at 20¢; 2 cans French peas, at 15¢; 2 heads lettuce, at 12¢; 1 bottle olive oil, 30¢; 1 lb butter, 38¢.

Make out an order slip, writing the word *Charge* or the abbreviation *Chg.* at the bottom of the slip. Then record the amount of the sale in the *Charge Sales* column of the Cash Register Sheet, and make the day book entry charging Mrs. Wm. Conant. When this has been done file the order slip in the section of the file marked *Charge Sales*.

Transaction No. 4. Sold for cash 1 can lobster, 25¢.

Proceed exactly as described in the note of explanation under Transaction No. 2.

Transaction No. 5. Sold to Mrs. Chas. P. French, 157 S. East Ave., on account, 2 boxes soda crackers, at 10¢; 1 can French peas, 15¢; 1 box Coleman's mustard, 15¢; 2 heads cabbage, at 10¢; 1 sack salt, 10¢; 1 can salmon, 15¢; 3 loaves bread, at 5¢, 1 lb. imported Swiss cheese, 40¢.

Proceed exactly as described in the note of explanation under Transaction No. 3

OCTOBER 2

Transaction No. 6. Sold to Jas H. Greenman, 231 Woodward Terrace, for cash, to be delivered, 2½ lbs. halibut steak, at 18¢; ½ doz. Florida oranges, at 50¢; 2 cans Telephone peas, at 12½¢; 2 cans Cupid fancy tomatoes, at 12½¢; 1 8-lb. box prunes, 85¢.

Make out an order slip, writing the word *Paid* at the bottom. Record the amount of the sale in the left-hand column of the Cash Register Sheet. Place the order slip in the section of the file marked *Cash Sales and Cash Receipts*.

Transaction No. 7. Sold for cash 1 jar Southwell's imported marmalade, 23¢; 1 lb. creamery butter, 36¢; 2 boxes soda crackers, at 10¢.

Follow the instructions given in the note under Transaction No. 2, and in future always follow this procedure when a sale for cash is made which is not to be delivered.

Transaction No. 8. Sold on account to Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth Ave., 3 lbs. Star ham, sliced, at 28¢; 1 box Coleman's mustard, 15¢; 3 loaves bread, at 5¢; 1 lb. creamery butter, 36¢; ½ lb. imported Swiss cheese, at 40¢; 2 pkgs. Uneeda biscuit, at 5¢; 2 cans Heinz baked beans and tomato sauce, at 15¢.

Follow the instructions given under Transaction No. 3, and in future always follow this procedure when a sale on account is made.

Transaction No. 9. Sold to Mrs. Paul Peters, 740 Chicago Ave., for cash, to be delivered, 2 pkgs. Saratoga flakes, at 15¢; 2 pkgs. Quaker oats, at 10¢; 3 cans Monarch canned corn, at 15¢; 3 cans Monarch canned peas, at 15¢; 1 broom, 40¢; 1 bottle bluing, 10¢; 3 bars Naphtha soap, at 5¢.

Follow the instructions given in the note under Transaction No. 6, and in future always follow this procedure when a sale is made for cash to be delivered.

Transaction No. 10. Received of Mrs. Chas. P. French \$10.00 on account.

Fill out a customer's receipt. Enter the amount received on the Cash Register Sheet, in the column headed *Cash Received on Account*. Make a day book entry crediting the customer. Place the customer's receipt in the section of the file marked *Cash Sales and Cash Receipts*.

These slips are usually kept on a spindle until the cashier can find time to enter them, and the same thing is done with charge orders, receipts for or memorandums of cash paid out, etc., but the student will make all day book entries and cash credit entries as the transactions occur.

OCTOBER 3

Transaction No. 11. Sold to Mrs. C. V. Clark, 789 Lake St., C. O. D., the following groceries: 25 lbs. W. C. Superlative flour, at 5¢; 2 pecks apples, at 60¢, 3 lbs. Star bacon, sliced, at 28¢.

Fill out an order slip, writing C. O. D. at the bottom of it. Enter the amount of the sale on the Cash Register Sheet, in the column headed *C. O. D. Sales*, and place the order slip temporarily in the section of the file marked *C. O. D. Sales*.

Transaction No. 12. Sold for cash 2 pecks Irish potatoes, at 20¢; two cans Monarch canned corn, at 15¢; two cans Monarch canned peas, at 15¢.

Transaction No. 13. The delivery boy returns with \$3.29, as returns on the C. O. D. sale to Mrs. C. V. Clark.

If this is the correct amount, enter it on the Cash Register Sheet in the column headed *C. O. D. Cash Returns*. Take the C. O. D. slip from the section of the file marked *C. O. D. Sales*, write on it the word *Paid*, and place it in the section marked *Cash Sales and Cash Receipts*.

OCTOBER 4

Transaction No. 14. Bought of H. J. Heinz Company, 1814 S. Clark St., Chicago, Ill., on 30 days' time, the following bill of groceries:

3 doz. Med. Baked Beans and Sauce, at	\$1.40	\$4.20	
1 doz. 10-oz. Royal Select Queen Olives, for		2.75	
2 doz. 8-oz. Octagon Ketchup, at	1.35	2.70	\$9.65

Make an entry in the day book, crediting H. J. Heinz Company. This entry should contain the explanation "Terms, 30 days." No further instruction will be given as to the procedure in handling an entry of this kind.

Transaction No. 15. Sold for cash 2 cans Heinz medium baked beans and tomato sauce, at 15¢; 1 bottle Royal select queen olives, 25¢; 2 cans Monarch canned corn, at 15¢.

Transaction No. 16. Sold to Mrs. Wm. Conant, 110 S. East Ave., on account, 1 doz. eggs, 36¢; 1 leg of spring lamb, 4½ lbs. at 20¢; 2 cans French peas, at 15¢, 1 peck Irish potatoes, 20¢.

OCTOBER 6

Transaction No. 17. Sold to W. J. Frazer, 767 W. Madison St., for cash, to be delivered, 1 can lobster, 25¢; 1 bottle Queen Olives, 25¢; 2 loaves Quaker bread, at 5¢.

Transaction No. 18. Received \$5.00 from Mrs. Edwin C. Hedrick, Jr., on account.

Follow the instructions in the note under Transaction No. 10.

Transaction No. 19. Paid The American Cereal Co., 9 Jackson Boul., Chicago, \$8.95, the amount of their account against us, from the Cash Register.

Record this in the *Cash Paid Out* column of the Cash Register Sheet. Make a cash book entry at this time, and make an entry in the day book debiting The American Cereal Co.

Transaction No. 20. Sold for cash 6 cans Heinz baked beans and tomato sauce, at 15¢; 2 bottles Heinz tomato catsup, at 15¢; 5½ lbs. Star ham, sliced, at 28¢; 6 lbs. Star ham, butts, at 12¢; 6 lbs. Star bacon, sliced, at 28¢.

Transaction No. 21. Sold to Mrs. Ward N. Seabury, 175 Forest Ave., on account, 3½ lbs. shoulder lamb chops, at 14¢; 3 cans French peas, at 15¢; 3 heads lettuce, at 12¢; 50 lbs. W. C. Superlative flour, at 5¢.

Transaction No. 22. Sold to Mrs. Louis N. Mellick, 364 Euclid Ave., on account, one spring chicken, 4½ lbs. at 20¢; 2 lbs. creamery butter, at 36¢; 2 loaves bread, at 5¢; 3 cans salmon, at 15¢; 1 broom, 40¢; 1 bottle bluing, 10¢; 3 bars Naphtha soap, at 5¢.

Transaction No. 23. Received of Mrs. Wm. Conant, 110 S. East Ave., cash in full of account, \$17.54.

Transaction No. 24. Sold to Jas. W. Wilson, 317 Clinton Ave., for cash, to be delivered, 4 grape fruit, at 20¢; 3½ lbs. Malaga grapes, at 20¢; 3 pkgs. Cottage cheese, at 15¢; 6 cans assorted soups, at 30¢; 1 lb. Young Hyson tea, 80¢; 2 qts. Baltimore oysters, at 35¢; 6 pkgs. Saratoga flakes, at 15¢.

Transaction No. 25. Sold for cash 3 lbs. Finnan haddie, at 15¢; 2 lbs. creamery butter, at 36¢; 3 loaves rye bread at 10¢; 1 sack salt, 10¢; 3 heads cabbage at 10¢; 1 box Coleman's mustard, 15¢.

Transaction No. 26. Received from Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth Ave., cash to balance her account, \$2.99.

Transaction No. 27. Paid the salary of the bookkeeper and cashier (yourself) for the week, \$12.50, from the Cash Register.

Record the payment on the Cash Register Sheet, in the column headed *Cash Paid-Out*. Make the proper entry and explanation in the cash book.

Post to the ledger all day book entries that have not yet been posted; rule and foot all accounts that are paid in full. Close the Cash Register Sheet as illustrated and described below.

ILLUSTRATION OF CLOSING OF CASH REGISTER SHEET

Footings	** **	** **	* **	* **	0.00	0.00	** **	** **
Deduct change	** **				* **		0.00	
Spot cash sales	** **				* **			Net Chg. Sales
C. O. D. cash returns	* **						** **	Cash Sales
Cash Rec'd. on Acct.	** **						* **	C. O. D. Sales
Total cash Rec'd.	** **	Entered	in cash	book, page —.			** **	Total Sales
Cash Pd. out	** **							
Excess of receipts	** **							
Change on hand	** **							
Cash in register	*** **							
Deposit Oct. 6, 19—	** **							
Change in register Oct. 8, 19—	** **							

Rule a single line across the eight columns of the Cash Register Sheet, underneath the last item in the longest column, and add all columns. Then proceed as follows: (1) Deduct the amount of the change on hand Oct. 1 from the total of the first column. The result will be the total of cash sales. (2) Reconcile the three C. O. D. columns (i.e., determine whether the *C. O. D. Cash Returns* and the *C. O. D. Goods Returned* added equal the *C. O. D. Sales*. Rule these columns as shown in the model form and write the amount of the *C. O. D. Cash Returns* in the left-hand column of the Cash Register Sheet, beneath the total of spot cash sales. (3) Write in the left-hand column the amount of the cash received on account and rule a double line across the *Cash Received on Account* column. (4) Add the three totals now shown in the left-hand column. The result is the total of cash received. (5) Write beneath this the total of the cash paid out, and deduct it. The result is the excess of receipts over disbursements for the week. (6) Add the amount:

of the change on hand, \$67.60, which will give you the total of cash in the cash register. (7) Deposit \$50.00, keeping \$**.** for change. Deduct the amount of the deposit, rule, and carry forward the amount of change on hand, all as shown in the model. (8) The only columns not yet ruled up are the *Charge Sales* and *Goods Returned on Account* columns. Deduct the total of the latter column from the total of the former. The result is the net charge sales. Add the total of cash sales and the total of C. O. D. paid sales to the net charge sales, to show the total of all kinds of sales for the week. (9) The total of cash received during the week must be entered in the cash book and a notation to the effect that this has been done should be made on the Cash Register Sheet, as shown. The cash payments, it will be observed, have already been entered in the cash book, these entries having been made separately as the transactions occurred.

In business, this closing of the cash register is usually done daily. The report on business done, as shown on your Cash Register Sheet between the two lines extending entirely across the form, is usually prepared on a special daily report blank, and summaries of these daily reports are prepared weekly or monthly.

When your Cash Register Sheet has been approved by your teacher, write the amount of change on hand at the top of another Cash Register Sheet, giving it the number 2, and enter the transactions for the week beginning Oct. 8.

OCTOBER 8

Transaction No. 28. Sold for cash 5 packages Saratoga Flakes, at 15¢; 3 packages Quaker oats, at 10¢; 4 cans Heinz baked beans and tomato sauce, at 15¢; 2 bottles Queen olives, at 25¢; 5 loaves bread, at 5¢.

Transaction No. 29. Bought for cash, from the Heissler & Junge Co., 301 W. 39th St., Chicago, 100 loaves Quaker bread, at 4¢, paying the money from the cash register.

Transaction No. 30. Sold on account to Mrs. Wm. Beye, 264 Wisconsin Ave., 2 bottles Heinz tomato catsup, at 15¢; 1 whole Star ham, 15 lbs. at 26¢; 3 lbs. Star bacon, sliced, at 28¢; 4 cans Monarch canned corn, at 15¢; 3 loaves bread, at 5¢; 3 bars Ivory soap, at 5¢.

Transaction No. 31. Paid \$3.00 from the cash register for one year's subscription to the Grocers' Guide and Holly Journal, the subscription to begin with the November issue.

Transaction No. 32. Sold on account to Mrs. Ward N. Seabury, 175 Forest Ave., 3 cans Monarch canned peas, at 15¢; 2 pks. Northern Spy apples, at 60¢; 4 pks. Irish potatoes, at 20¢ a peck; 25 lbs. W. C. Superlative flour, at 5¢; 1 bottle bluing, 10¢; 2 lbs. Oswego starch, at 5¢; 2 doz clothespins, 5¢.

Transaction No. 33. Bought on account of Reid, Murdock & Co., cor. Lake and Market Sts., Chicago, the following invoice (the explanations in parenthesis do not appear on the face of the bill):

	Doz.	Price	30 Days	60 Days	Total
5 cs. (cases) Monarch #2 corn (in tins, 2 dz. ea.)	10	\$1.20		\$12.00	
2 " " #2 E. J. (early June) peas (in tins, 2 dz. ea.)	4	1.75		7.00	
2 " " #1 Tall salmon (in tins, 4 dz. ea.)	8	2.10	\$16.80		
5 " " #3 Tomatoes (in tins, 2 dz. ea.)	10	1.35		13.50	
			\$16.80	\$32.50	\$49.30

Transaction No. 34. Bought of The American Cereal Co., Chicago, Ill., on account 30 days,

4 cases Quaker oats, at 3.00	\$12.00	
1 brl. Oatmeal	5.50	\$17.50

Transaction No. 35. Sold for cash 1 leg of spring lamb, 4½ lbs. at 20¢; 2 cans tall salmon, at 27½¢; 3 cans E J Peas, at 20¢; 2 heads lettuce, at 12¢; 3 loaves bread, at 5¢; 2 boxes B & C matches, at 5¢.

Transaction No. 36. Sold to Mrs. Louis N. Mellick, 364 Euclid Ave., on account, 2 cans lobster, at 25¢; 3 boxes soda crackers, at 10¢; 1 bottle olive oil, 30¢; 2 lbs. creamery butter, at 36¢; 1 loaf bread, 5¢; 1 sack salt, 10¢.

Transaction No. 37. Received of Mrs. Chas. P. French, 157 S. East Ave., cash in full of account.

Find the balance due as shown by the ledger. Note the date of the last purchase, and look through the day book, from that date on, to find whether there are any debits and credits to be posted to her account.

Transaction No. 38. Sold on account to Mrs. Wm. Conant, 110 S. East Ave., 2 lbs. creamery butter, at 36¢; 2 doz. eggs, at 36¢; 1 spring chicken, 5½ lbs. at 20¢; 6 grape fruit, at 20¢; 2½ lbs. Malaga grapes, at 20¢; 3 lbs. cottage cheese, at 15¢; 2 bottles Queen olives, at 25¢; 3 loaves bread, at 5¢.

OCTOBER 10

Transaction No. 39. Sold for cash, 5½ lbs. shoulder of lamb, at 12¢; 2 lbs. creamery butter, at 36¢; 3 cans E. J. peas, at 20¢; 1 sack salt, 10¢; 25 lbs. W. C. Superlative flour, at 5¢; 1 lb. India Ceylon tea, 60¢.

Transaction No. 40. Sold C. O. D. to Mrs. C. V. Clark, 789 Lake St., 4 lbs. smelts, at 14¢; 1 bottle Queen olives, 25¢; 1 lb. butter, 30¢; 3 loaves rye bread, at 5¢.

Transaction No. 41. Mrs. Louis N. Mellick, 364 Euclid Ave., returned 2 cans of lobster purchased Oct. 8, claiming both cans were spoiled.

Enter this amount in the *Goods Returned on Account* column of the Cash Register Sheet. Give Mrs. Mellick credit in the day book. Make out a credit memorandum as follows: "Oct. 10, 1910. Credit Memorandum. Mrs Louis N. Mellick, 364 Euclid Ave. We credit your account 50¢ for 2 cans lobster returned. F. P. Nissen by _____." Assuming that you have given Mrs. Mellick one copy of this, place the credit memo in the file with the *Charge Sales*.

Note: Many retail grocers keep the customers' charge tickets filed alphabetically under the customers' names. This makes reference easy in case of dispute. Some firms keep no ledger, but rely entirely upon the slips. This is not a very reliable plan, however, unless the balances are carried forward from one slip to the next, as in the system known as the McCaskey continuous account system. When this system is followed any payment made is deducted from the balance shown by the last order slip, so that the last slip made out always shows the balance due. The slips are filed alphabetically under the customers' names.

One system that is sometimes used by grocers who have a comparatively small number of customers is as follows: One charge order book with numbered pages is kept for each customer who has an account. When a charge order is to be made out, the clerk secures the customer's individual book and writes the order in it direct, or else he hands the cashier a memorandum of the filled order and the cashier writes in the customer's book. One copy of the charge slip goes with the goods, while the other copy stays in the book. The balance is carried forward from slip to slip, as in the system described in the last paragraph.

Transaction No. 42. Sold on account to Mrs. Chas. P. French, 157 S. East Ave., 1 doz. eggs, 30¢; 2 lbs. Clover Leaf creamery butter, at 36¢; 1½ lbs. Wisconsin cream cheese, at 26¢; 2 cans Queen Maud sardines, at 25¢; 1 doz. oranges, 25¢; 8 qts. new Bermuda potatoes, at 9¢.

Transaction No. 43. Purchased on 30 days' credit from Armour & Co., 239 S. Water St., Chicago,

12 Star Hams, 180 lbs. at 15¢	\$27.00	
16 pcs. Star Bacon, 120 lbs. at 22¢	26.40	\$53.40

Transaction No. 44. Sold to Mrs. Phillip Furbeck, 1110 S. Boulevard, C. O. D., one Star ham, 15 lbs. at 25¢.

Transaction No. 45. Sold for cash 3 lbs. chopped beef, at 16¢; 1 doz. eggs, 30¢; 2 lbs. creamery butter, at 36¢; 25 lbs. W. C. Superlative flour, at 5¢.

Transaction No. 46. Sold on account to Mrs. N. N. Richards, 154 Circle Ave., Forest Park, 6½ lbs. Star ham butts, at 8¢; 1 can Monarch canned corn, 15¢; 3 loaves bread, at 5¢; ½ lb. butter, at 30¢; 2 lbs. sausage meat, at 20¢; 3 bars Naphtha soap, at 5¢.

Transaction No. 47. Mrs. N. N. Richards, 154 Circle Ave., Forest Park, paid \$1.00 on account.

Transaction No. 48. Sold for cash 3 lbs. smoked halibut, at 25¢; 2 lbs. imported Swiss cheese, at 40¢; 1 lb. creamery butter, 36¢; 3 loaves bread, at 5¢.

Transaction No. 49. The delivery boy returned with the correct amount of cash in payment of the C. O. D. order sold to Mrs. C. V. Clark, 789 Lake St.

(See the note under Transaction No. 13.)

Transaction No. 50. The delivery boy reported that no one was at home when he called at the residence of Mrs. Phillip Furbeck to deliver the C. O. D. order. He therefore brought the goods back.

Enter the amount of the order on the Cash Register Sheet in the column headed *C. O. D. Goods Returned*. In business the delivery boy would bring back the duplicate order slip with the goods. This would be marked "Goods Returned" and filed. You may make a memorandum of the goods returned (virtually a copy of the order slip) mark it "Goods Returned," and place it in the section of the file marked *C. O. D. Goods Returned*.

OCTOBER 12

Transaction No. 51. Sold to J. N. Ward, 679 Chicago Ave., for cash, to be delivered, 3 grape fruit, at 20¢; 1 doz. oranges, 40¢; 1 doz. eggs, 30¢; 2 lbs. creamery butter, at 36¢; 2½ lbs. Star bacon, sliced, at 28¢; 3 pkgs. Uneda biscuit, at 5¢; 2 loaves bread, at 5¢.

Transaction No. 52. Sold to Mrs. C. V. Clark, 789 Lake St., C. O. D., 2 cans Pride of Chicago tall salmon, at 18¢; 3 loaves bread, at 5¢; 1 8-lb. box prunes, 85¢; 1 lb. India Ceylon tea, 60¢.

Transaction No. 53. Sold for cash 2 pks. Northern Spy apples, at 60¢; 3 pks. Irish potatoes, at 20¢; 25 lbs. W. C. Superlative flour, at 5¢.

Transaction No. 54. Sold to Mrs. Wm. Conant, 110 S. East Ave., on account, 1 leg of spring lamb, 4½ lbs. at 20¢; 4 lbs. Star bacon, sliced, at 28¢; 3 heads lettuce, at 12¢; 3 cans E. J. peas, at 20¢.

OCTOBER 13

Transaction No. 55. Sold for cash 1 lb. India Ceylon tea, 60¢; 10 lbs. sugar, at 5¢; 3 pkgs Nabisco, at 10¢; 3 pkgs. Uneda biscuit, at 5¢.

Transaction No. 56. Sold to Mrs. Chas. P. French, 157 S. East Ave., to be charged, 3 grape fruit, at 20¢; 20 lbs. sugar, at 5¢; 2½ lbs. Malaga grapes, at 20¢; 4 pkgs. Nabisco, at 10¢.

Transaction No. 57. Mrs. Ward N. Seabury, 175 Forest Ave., paid her account in full.

Read the note under Transaction No. 37 for directions for determining the amount of the balance due.

Transaction No. 58. Sold to Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth, on account, to be delivered, 3½ lbs. smoked halibut, at 16¢, 1 whole Star ham, 15 lbs. at 27½¢; 1 bottle Heinz tomato catsup, 15¢; 1 bottle Queen olives, 25¢; 10 lbs. granulated sugar, at 5¢; 1 lb. butter, 30¢; 3 loaves bread, at 5¢.

Transaction No. 59. Bought of Reid, Murdock & Co., on thirty days' credit:

3 half-chests Young Hyson tea, 194¢ at 35¢	\$67.90	
2 cases Monarch coffee, 2¢ cans, 96 lbs. at 27¢	25.92	
2 cases " #2 E. J. peas, 4 doz. at \$1.75	7.00	
3 cases " #10 peaches, 6 doz. cans at \$2.50	15.00	\$115.82

Transaction No. 60. Sold for cash 3½ lbs. porterhouse steak, at 22¢; 2 lbs. creamery butter, at 36¢; 20 lbs. sugar, at 5¢; 3 loaves bread, at 5¢.

Transaction No. 61. Took from the cash register enough money to pay the National Biscuit Company's account in full.

This payment is recorded on the Cash Register Sheet and entries are made in the cash book and in the day book, as explained in connection with previous similar transactions.

Transaction No. 62. Sold on account to Mrs. Ward N. Seabury, 175 Forest Ave., 4½ lbs. rib lamb chops, at 22¢; 1 bottle mint sauce, 25¢; 2 cans E. J. peas, at 20¢; 3 loaves bread, at 5¢; 10 lbs. granulated sugar, at 5¢; 25 lbs. W. C. Superlative flour, at 5¢.

Transaction No. 63. Bought of H. J. Heinz Company, on account:

4 doz. cans apple butter, at \$1.50	\$6.00	
3 " " peach " at 1.50	4.50	
6 " small crocks strawberry preserves, at \$1.35	8.10	\$18.60

Transaction No. 64. Sold for cash 3 qts. Baltimore oysters, at 35¢; 4 lbs. oyster crackers, at 9¢; 2 bottles Heinz tomato catsup, at 15¢; 10 lbs. granulated sugar, at 5¢; 25 lbs. W. C. Superlative flour, at 5¢.

Transaction No. 65. Sold on account to Mrs. Phillip Furbeck, 1110 S. Boulevard, 1 doz. eggs, 30¢; 2 lbs. creamery butter, at 36¢; 1½ lbs. imported Swiss cheese, at 40¢; 2 loaves rye bread, at 5¢; 3½ lbs. Star bacon, sliced, at 28¢.

Transaction No. 66. Mrs. Ward N. Seabury, 175 Forest Ave., returned 1 bottle mint sauce purchased today.

See Transaction No. 41 for instructions.

Transaction No. 67. Paid the scrub-woman \$1.50 for her work today.

Transaction No. 68. Paid the bookkeeper's salary, \$12.50.

Post the entries in the day book, rule up any ledger accounts that balance, foot and close the Cash Register Sheet, and enter on the cash book the amount of cash received, as you did on Oct 6. Deposit \$50.00. Close the cash book.

Single Entry Statement

As has been previously explained, it is impossible to show the separate losses and gains in single entry. A loss and gain statement can not be made out. A financial statement can be made. The single entry statement sets forth the assets and liabilities of the business. The assets are listed and added. Beneath these the liabilities are listed and added. The difference between the total assets and the total liabilities is the net capital or present worth of the business. If the net capital at some previous time be known, the gain or loss of the business since that time can be determined by comparing the net capital today with what it was at that time.

Mr. Nissen asks you to prepare a single entry statement as of October 15. He tells you that the cash in the bank is \$500.00. You know how much money there is in the cash register. Mr. Nissen values his stock of groceries on hand at \$5817.36, his horse and wagon at \$270.00, and the furniture and fixtures in the store at \$450.00. The balances of all accounts receivable and payable can be determined from the ledger. Prepare a statement in the following form:

F. P. NISSEN'S SINGLE ENTRY STATEMENT, OCTOBER 15, 19—

<i>Assets</i>		
Cash in bank		\$500.00
Cash in cash register		**.**
Stock of groceries on hand valued at		5817.36
Horse and wagon valued at		270.00
Furniture and fixtures valued at		450.00
Mrs. Wm. Conant, 110 S. East Ave.		**.**
Mrs. Chas. P. French, 157 S. East Ave.		**.**
		\$****.**
Total Assets		
<i>Liabilities</i>		
National Biscuit Co., 110 N. Morgan St., Chicago		\$**.**
The American Cereal Co., 9 Jackson Blvd., Chicago		**.**
		***.**
Total Liabilities		
Net capital or present worth		\$****.**
Assets October 1	\$****.**	
Liabilities October 1	***.**	
	****.**	
Net Capital October 1		
		\$**.**
Net gain		

In order that the proprietor's account in the ledger shall show what he is worth at all times it will be necessary to credit him with the amount of the net gain as shown by the foregoing statement. Therefore you will make a day book entry crediting the proprietor for the amount of his net gain. Post this immediately to the account of the proprietor in the ledger and close the account with a balance as of October 15.

Changing from Single Entry to Double Entry

The process is very simple. Open a double entry journal and let your first entry be a journal entry crediting the proprietor for his total assets and debiting each one of the items listed in the statement as assets. This will necessitate opening accounts with *Merchandise, Horse and Wagon* and *Furniture and Fixtures*. Make another journal entry debiting the proprietor for the total of his liabilities and crediting the accounts of the different creditor firms. Next open a double entry ledger and post the two journal entries. It will be observed that your double entry ledger balances will correspond in detail with the single entry ledger balances except that in the double entry ledger there will be added accounts with *Merchandise, Horse and Wagon* and *Furniture and Fixtures*. Take loose sheets of journal and ledger paper. Make the journal entries necessary to change F. P. Nissen's books from single to double entry on Oct. 15. Post. Take a trial balance.

In order to see even more clearly how single and double entry compare, rewrite F. P. Nissen's business in double entry form, proceeding as follows: (1) Journalize all entries appearing in the single entry day book except the last. It will not be necessary to perform the computations again, and explanatory matter may be omitted. (2) Journalize all entries appearing in the single entry cash book except the first, third, and eighth entries, which you have already journalized, as they appear in both day book and cash book. (3) Post all journal entries to regular double entry ledger sheets (center ruled). (4) Take a trial balance. (5) Make statements, using the inventories of Oct. 15 as given at the end of the single entry set. (6) Close the double entry ledger. (7) Now compare the double entry statement with the single entry statement. The single entry ledger should agree with the double entry ledger as far as it goes. Accounts of what class do not appear in the single entry ledger? Name them in detail.

VARIABLE PRICE LISTS

Students may all use the same price lists, or different price lists may be assigned to each student. Fifty different sets of results can be secured. List No. 1 is given in the text. List No. 2 consists of buying price list A and selling price list A. List No. 3 consists of buying price list A and selling price list B, and so on, all as shown by the following table:

LIST	BUYING PRICE	SELLING PRICE	LIST	BUYING PRICE	SELLING PRICE	LIST	BUYING PRICE	SELLING PRICE	LIST	BUYING PRICE	SELLING PRICE
No. 2	A	A	No. 15	B	G	No. 27	D	E	No. 39	F	C
No. 3	A	B	No. 16	C	A	No. 28	D	F	No. 40	F	D
No. 4	A	C	No. 17	C	B	No. 29	D	G	No. 41	F	E
No. 5	A	D	No. 18	C	C	No. 30	E	A	No. 42	F	F
No. 6	A	E	No. 19	C	D	No. 31	E	B	No. 43	F	G
No. 7	A	F	No. 20	C	E	No. 32	E	C	No. 44	G	A
No. 8	A	G	No. 21	C	F	No. 33	E	D	No. 45	G	B
No. 9	B	A	No. 22	C	G	No. 34	E	E	No. 46	G	C
No. 10	B	B	No. 23	D	A	No. 35	E	F	No. 47	G	D
No. 11	B	C	No. 24	D	B	No. 36	E	G	No. 48	G	E
No. 12	B	D	No. 25	D	C	No. 37	F	A	No. 49	G	F
No. 13	B	E	No. 26	D	D	No. 38	F	B	No. 50	G	G
No. 14	B	F									

SET TWO

ARTICLE	BUYING PRICE LISTS							SELLING PRICE LISTS						
	A	B	C	D	E	F	G	A	B	C	D	E	F	G
Orange Pekoe Ceylon tea, lb.	.51	.52	.53	.54	.55	.56	.57	.81	.82	.83	.84	.85	.86	.87
India curry powder, bot.	.11	.12	.13	.10	.11	.12	.13	.17	.16	.15	.18	.17	.16	.15
Penang cloves, lb.	.37	.38	.39	.40	.37	.38	.39	.62	.61	.60	.59	.58	.57	.56
Young Hyson tea, lb.	.62	.63	.64	.65	.64	.63	.62	1.05	1.10	1.15	1.20	1.05	1.06	1.07
Arabian Mocha coffee, lb.	.17	.18	.19	.20	.19	.18	.17	.28	.29	.30	.28	.29	.30	.29
Cinnamon, lb.	.41	.42	.40	.39	.38	.37	.36	.67	.66	.65	.64	.63	.62	.61
Arm and Hammer soda, pkg.	.05	.06	.05	.06	.05	.06	.05	.07	.08	.07	.08	.07	.08	.07
Finest Santos coffee, lb.	.14	.16	.15	.14	.13	.16	.15	.18	.19	.20	.18	.19	.18	.20
Royal Dutch mustard, can	.06	.07	.08	.06	.07	.08	.07	.12	.13	.14	.15	.14	.13	.12
Van Houten's cocoa, tin	.50	.51	.52	.53	.54	.55	.54	.74	.76	.79	.75	.78	.80	.77

SET THREE

No. 527 Flanders arm chair	4.00	4.05	4.10	4.15	4.20	4.25	4.15	6.00	6.05	6.10	6.15	6.20	6.25	6.30
No. 102E refrigerator	...	...	...	...	...	...	...	16.	17.	18.	16.	16.	17.	18.
No. 1625 library tables, mhgy	17.	18.	16.	17.	18.	19.	16.	24.	25.	26.	27.	24.	25.	26.
No. 2787 Cir. wal. d room set	105.	106.	107.	108.	109.	110.	111.	160.	161.	162.	163.	164.	165.	166.
No. 600 leather settees	15.	16.	17.	18.	19.	20.	17.	22.	23.	24.	25.	24.	27.	26.
No. 336 writing tables, mhgy	10.	11.	12.	9.	10.	11.	12.	17.	18.	19.	20.	16.	15.	17.

SET FOUR

Youths' pat. leather bluchers	1.75	1.70	1.75	1.80	1.85	1.75	1.70	2.45	2.50	2.55	2.60	2.65	2.70	2.75
Boys' kid bluchers	.85	.86	.87	.88	.89	.91	.92	1.40	1.45	1.50	1.45	1.40	1.45	1.45
Boys' gum overshoes	.90	.92	.94	.96	.98	.97	.99	1.45	1.30	1.40	1.45	1.50	1.45	1.40
Men's oil grain No-Seam bals.	1.00	1.05	1.10	1.08	1.06	1.04	1.02	1.55	1.58	1.57	1.58	1.59	1.60	1.55
Men's gun metal bluchers	2.05	2.10	2.15	2.10	2.05	2.00	2.10	2.75	2.80	2.85	2.90	2.85	2.80	2.90
Wos. Maxine button shoes	2.06	2.07	2.08	2.09	2.10	2.11	2.12	3.05	3.10	3.15	3.20	3.25	3.30	3.35
Ladies' Dongola C S bals.	.94	.95	.96	.97	.98	.99	1.00	1.61	1.62	1.63	1.64	1.65	1.66	1.67
Men's Kang. grain Ripless	1.10	1.15	1.20	1.10	1.15	1.20	1.15	1.90	1.88	1.87	1.86	1.85	1.80	1.75
Men's Am. rubbers Quaker	.55	.50	.45	.50	.55	.60	.55	.95	.90	1.00	.95	1.00	.95	.90
Boys' Para rubbers	.35	.36	.37	.38	.39	.40	.41	.60	.65	1.70	.75	.60	.65	.70
Men's King George oxfords	2.50	2.55	2.60	2.65	2.50	2.55	2.60	3.20	3.15	3.05	3.00	3.10	3.15	3.20
Men's Boston Bluchers	1.00	1.05	1.10	1.15	1.05	1.10	1.05	1.50	1.40	1.60	1.45	1.50	1.55	1.60

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Wholesale Accounting

BEING A COMPREHENSIVE, SCIENTIFIC AND TEACH-
ABLE PRESENTATION OF A METHOD OF BOOK-
KEEPING, ADAPTED TO WHOLESALING
IN GENERAL, AND TO THE
GROCERY BUSINESS IN
PARTICULAR

BY
J. A. LYONS

TO BE WORKED IN CONNECTION WITH THE VOUCHERS
OF THE TRANSACTION

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By J. A. LYONS**

WHOLESALE ACCOUNTING

(GROCERY BUSINESS)

INTRODUCTION

No argument need be used to convince the most casual observer of the importance of the Wholesale Grocery Business. The business deals with the necessities of life. The margin of profit on a given article is, as a rule, small, but this is made good by the large number and amounts of the sales. Almost every city of a population of 20,000 and up has at least one wholesale grocery house, but, as might be expected, the largest houses are in the largest cities, where facilities for distribution are best.

The customs and methods of accounting of the wholesale grocery business are faithfully set forth in this work. The purchases are made in the localities in which the goods are produced or at one of their chief distributing points, and the bills for them (excepting the names), with their terms and discounts, are correct reproductions of actual invoices. The terms and discounts allowed customers are also given exactly as they are used in the trade. The transactions are so arranged that the firm, true to good business rules, usually takes advantage of the discounts offered. It must do so, for it is a well-known fact that the wholesaler or jobber who does not discount his bills, cannot long stand the strain of competition. On the other hand and just as true to business experience, some customers will pay promptly by discounting their bills, while others will not.

The author resolved to present, with the utmost fidelity, not only the practices and customs of the trade, but as completely as possible the methods in common use in its accounting. In some very few instances the classification of the books, columns and accounts has been slightly reduced in the interest of simplicity and to bring the subject more completely within the powers of the pupil with a limited experience. It is believed that these very few changes in no way detract from the practical value of the work, but rather make it more valuable to those who are most apt to make use of it.

THE LOOSE-LEAF ORDER SYSTEM

The loose-leaf order system, used in this set, is unquestionably the most popular of all the more recent labor saving devices for accounting purposes. The system is generally used in the wholesale trade in paper, lumber, iron, groceries, drugs, dry goods, etc. Since in a wholesale business there are many more sales than purchases, any saving of time or effort in handling the sales becomes in the aggregate a very important matter.

Orders are received in three ways. They are sent in by traveling salesmen on the firm's order blanks, pads of which they carry with them. These blanks come to the House regularly filled out, with the prices affixed.

Then there are orders received from city and suburban customers who call, or telephone their orders in. These orders are entered on regular blanks by some clerk in the office and prices are affixed as they are agreed upon.

A third class of orders comes by mail from out-of-town customers. They are copied from the customers' letters onto regular blanks, and standard, though varying, prices are affixed by some one designated for that duty.

In this work the student is to affix these prices, and for this purpose a series of ten price lists has been provided (see page 49). One of these lists is to be assigned to him by the teacher, and this list he must always use in affixing prices to mail orders, which will cause his results to differ from those using other lists.

When an order is received in either of the above described ways, the blank is first handed to the credit man, who either O. K.'s or rejects the credit (see order No. 1). If

"passed," it is given a consecutive number called "Register Number," and it is immediately recorded in a Register. When registered, the blank is placed in a clip file and sent to the stock room. The stock clerk selects the stock called for in the order and, as he does so, checks (✓) each item in the column headed "Shipper's Check." The blank and stock are then turned over to the shipping clerk, who packs, marks and ships the goods. As he does so, he crosses the check of the stock clerk, and writes his initials in the space "Order filled by." Thus, there are two persons to certify to the correct filling of the order. If, in any case, there are weights to be determined, this is done by the shipping clerk, and these he inserts in the column headed "Weight." When the order has been shipped, the shipping clerk returns the order blank to the registry clerk, who marks the date of shipping in the Register, opposite the record of the order, and gives the blank a new consecutive number called "Order Number," or "Holder Number." Some Houses also record the hour and minute when the goods were shipped. Should any record in the Register fail to show the date of shipping and the "Order Number," it would cause inquiry to be made as to what had become of the order. The blank is next

Register									
Order No.	Amount	Shipper's Check	Weight	Order filled by	Holder No.	Date Shipped	Amount	Order No.	Amount
50									
51									
52									
53									
54									
55									
56									
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98									
99									

ORDER REGISTER

passed to the bill clerk, who makes the extensions and footings on the order blank and bills the customer. It is then handed to the profit clerk and, ultimately, it is passed to the bookkeeper, who posts the amount or amounts of the order direct to the customer's account in the Sales Ledger and places it in the Sales Binder.

THE REGISTER

The Register is a long, narrow book containing the numbers from 00 to 49 on the left hand page and from 50 to 99 on the right hand page, and columns for Names, Holder

(Order) Numbers, Dates Billed and Amounts. Higher consecutive numbers on succeeding pages are made by prefixing the necessary digit or digits on the top line of each page. (See illustration on page 4.)

The purpose of the Register is to index, numerically, all orders, enabling the same to be found almost instantly, when wanted, and to keep a close watch on the shipping room. It is not used in this set, and, therefore, no Register Numbers appear on the order blanks.

THE SALES BINDER (SALES BOOK)

After the orders are billed and posted, the blanks, as mentioned before, are placed in a so-called Sales Binder, according to Order Number (order No. 1 at the bottom, and consecutive numbers on top), and then constitute pages of the Sales Book. The blanks, however, make no provision for carrying forward from page to page the total sales, and for this purpose Sales Recapitulation Sheets are provided.

SALES RECAPITULATION SHEETS

Sales Recapitulation Sheets are of the same size as the order blanks and are ruled for the insertion of the date, the number and the amount or amounts of each order. When one column is filled it is footed and the amount is carried forward to the head of the next column and so on. When a sheet is filled, the total is carried to a second.

At the end of a month, or other period, when it is desired to post for the purpose of taking a trial balance, the total of the sheets is posted to the credit of Mdse Sales account and also to the debit of Accounts Receivable account, thus maintaining the balance of the General Ledger. Recapitulation Sheets, while kept in separate binders in large Houses, remain, in this set, in the Sales Binder in their proper places, that is, following the last order listed.

THE INVOICE BOOK

Purchases may be, and in many business Houses are, treated in exactly the same manner as sales, that is, by the loose-leaf method. The incoming bills take the place of the order blanks, are consecutively numbered, posted from direct to the creditors' accounts in a Purchase Ledger, punched and placed in a Purchase Binder, then recapitulated and their totals posted to an Accounts Payable (or Purchase Ledger) account in the General Ledger.

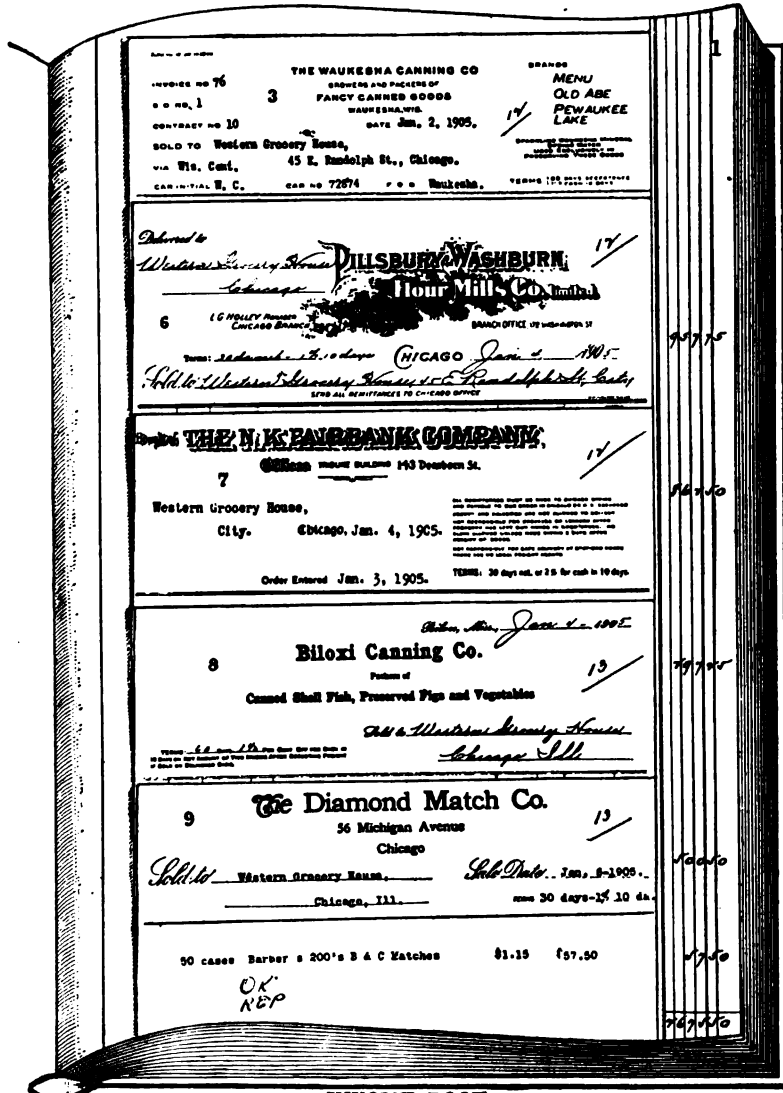
To acquaint the student, however, with another method of handling bills for purchases, an Invoice Book is used in this set. The Invoice Book serves its purpose well, especially where the purchases are comparatively few. The incoming bills are pasted in this book in the order in which they are received. They are inserted, in this book, for the sake of economy, with the heads only shown (see illustration), and pasted at the bottom only (with the exception of the first bill on each page, which is gummed at the top and bottom), to allow the bills to be raised up and their items to be examined at will.

On the right hand side of the pages, in the book used in this set, appears a column into which the amounts of the bills are extended. This column is for merchandise items only, and its total is posted to Mdse Purchases account in the General Ledger, whenever a trial balance is taken.

There are, however, bills other than for merchandise, such as for office supplies, teaming, telephone, etc. If special columns for these were provided in the Invoice Book in addition to the merchandise column, their amounts would be entered in the proper

columns and the totals of these columns posted to their respective accounts in the General Ledger at the end of a given period.

In the absence of these columns, however, such bills must be journalized, and for that reason bills for other than merchandise are, in this set, not pasted in the Invoice Book,



INVOICE BOOK

but are, after being entered in the Journal, filed in a pocket provided for such bills in the Pocket File found in the outfit.

The invoices in this set come to the student properly O. K.'d as to quantities and prices. Their calculations and extensions are to be verified and checked by the student in every case, after which the bills are pasted in the Invoice Book or journalized and posted direct to the creditors' accounts in the General Ledger.

Special attention is called to bills numbered 24 and 37, which contain freight charges. Only the amounts of merchandise are to be extended in the column in the Invoice Book, while entries for the freight charges are to be made through the Journal.

THE REBATE AND RETURNED GOODS BOOKS

In every business there are many transactions involving rebates, shortages, and the return of goods bought and sold.

It was at one time customary to enter items sold and returned in the Invoice Book as if they were purchases. This was manifestly wrong, for by selling goods today and having them returned tomorrow the volume of sales would be vastly increased, when, as a matter of fact, the business may be done at a loss. Every careful business man desires to make certain computations based on the percentage of his sales or on the percentage of the cost of his goods sold. The adding of the value of goods sold, but later returned, to the purchases destroys the accuracy of the basis of any percentages taken on it.

To keep records correctly, rebates and allowances made to, and goods returned by customers should be subtracted from the sales, not added to the purchases. For the same reason rebates and allowances made by, or goods returned to, those from whom the House buys should be subtracted from the purchases, not added to the sales. Accordingly, two books are kept in this set, as follows: Rebate and Returned Goods-Credit Book and Rebate and Returned Goods-Debit Book.

In the former all credits allowed customers, giving date, name, items, nature of damage, if any, etc., are recorded. The entries are posted to the credit of the customers' accounts in the Sales Ledger. The totals of this book are posted, when a trial balance is taken, to the credit of Accounts Receivable account in the General Ledger and also to the debit of Mdse Sales account in the General Ledger.

The debit book is handled in the same manner. The several items are posted to the debit of the accounts of creditors making the allowances, and the totals are posted to the credit of Mdse Purchases account in the General Ledger.

In many business Houses these credits are also handled by the loose-leaf method, the same as orders.

THE BILL BOOKS

These books are used for entering notes and acceptances both receivable and payable. Numerous columns are used in which are entered the particulars concerning the papers. Great care should be exercised in filling in the records, computing the maturity of the papers, etc., as promptness in paying or collecting the same will depend upon such records. The Bill Books are auxiliary books in this set, being explanatory to entries in the Journal, and are not posted from.

THE JOURNAL

Only entries of such nature are entered in the Journal, as will not admit of their being entered on the Sales Sheets, in the Invoice Book, Cash Book or Returned Goods Books. The only entries necessary to be made through the Journal, in this set, are debits and credits of purchases of bills other than for merchandise, traveling expenses, salaries, notes and a few entries for freight. It is a book of original entry, and sufficient explanations should be supplied to make the entries clear and intelligible. Explanations are made directly beneath the entries in a smaller hand.

In case of settlement of a customer's account by note, the credit item must be posted twice, once to the credit of the customer's account in the Sales Ledger and once to the credit of Accounts Receivable account in the General Ledger.

THE CASH BOOK

The Cash Book used in this set is a so-termed "Three Column Cash Book." It has three amount columns on each side. These are, on the debit side, "Cash Discount," "Sales Ledger" and "General," and, on the credit side, "Expense," "Cash Discount" and "General."

In a wholesale business frequent entries of cash discounts are necessary, since cash discounts are not only allowed to customers, but are, in turn, received from those from whom the House buys. For the purpose of recording such discounts in the most convenient manner, Cash Discount columns are provided in the Cash Book. They are, it must be clearly understood, auxiliary columns, being kept in the Cash Book for convenience only, and do not affect the cash in any manner. In these columns only such discounts are entered as are given or received for prompt settlement of invoices for either sales or purchases. Discounts on commercial paper (notes) are in the nature of interest and are not recorded in these columns, but are entered in the General columns and posted to Interest account.

In the Sales Ledger column on the debit side payments made by customers are entered. These entries are for net amounts only, that is, for the amount owing less the cash discount, the latter being entered in the Cash Discount column on the same line. In other words, only the actual amount of cash received for merchandise is entered in this column. In case a payment includes exchange (for illustration see check No. 9), the excess (in the case of the check mentioned, 10¢) is entered on the line below and placed in the General column and is credited to Expense account.

For the sake of simplicity, Purchase accounts are kept, in this set, in the General Ledger. If these Purchase accounts were separated from the General accounts and kept in a separate Purchase Ledger, this would necessitate keeping a Purchase Ledger column on the credit side of the Cash Book and the entries in this column would be made in exactly the same manner as in the Sales Ledger column on the debit side of the Cash Book.

The Expense column on the credit side illustrates the handling of cash items of the same nature which occur frequently in a business. The only object of grouping such items in a column is to save time, for it avoids many separate postings.

In the General columns on both the debit and credit sides amounts of such accounts are entered as are found in the General Ledger, with the exception of those for which special columns are provided.

The Cash Book, being a book of original entry, should contain proper explanations written in the second wider column, the Explanation column. The first wide column is for the name of accounts only.

EXCHANGE

Remittances in settlement of accounts should be made in funds "current" in the locality in which the creditor is established. Express Money Orders are current everywhere, while certain Bank Drafts are current in some cities, in other cities not. Postal Money Orders are drawn by one postmaster upon another and are limited to one endorsement. The term "current" does not properly apply to these papers, unless they are drawn upon the postmaster residing in the same locality with the creditor. Personal checks are, almost without exception, current only in the town or city in which they are drawn, and are, if deposited in a bank in another city, subject to a collection fee.

The charges made by the associated banks of Chicago for collecting out-of-town checks, which charges are called "Exchange," range from 5¢ to \$2.00 per \$1000, with a minimum charge of 5¢ for items of \$10 and under, and 10¢ for items above \$10.

Personal checks received from out-of-town customers include, therefore, in this set, such charges as the House is obliged to pay the bank and which are deducted from its deposits. When received, Expense account is credited, and when paid to the bank, Expense account is debited for such charges.

Chicago banks do not charge their depositors with exchange on drafts on New York, this city being one on which charges for exchange are "discretionary," and therefore New York drafts, in this set, do not include exchange. Neither is exchange collected on checks drawn on banks in the county in which Chicago is located, the county of Cook. The only out-of-town check of this kind, in this set, is check No. 16 (La Grange).

While New York checks and drafts are current in Chicago, Chicago paper is subject to an exchange charge of 1/10 of 1% in New York. When, therefore, checks are forwarded to firms located in New York City, the exchange must be included in the remittance. Expense account is debited for these charges. Jersey City, N. J., also requires its bills to be paid in "New York Funds," but in all other cities Chicago paper is at par and no exchange is included in checks sent to such cities in settlement of accounts.

The rates of exchange given above may be, from time to time, changed by the Chicago or New York banks, or banks in cities in which Chicago paper is current at the time this work is written may adopt a schedule of charges and may make New York or Chicago paper subject to an exchange charge. Such changes, should they occur, are, however, not to be taken into account in working this set.

THE LEDGERS

In an up-to-date wholesale business at least three ledgers, a Sales Ledger, a Purchase Ledger and a General Ledger, are kept. The Sales Ledger contains the accounts of the firm's customers, the Purchase Ledger the accounts of those from whom the House buys, and the General Ledger all general accounts, such as Proprietors, Mdse, Expense, etc., and an account with both the Sales and Purchase Ledgers, generally called Accounts Receivable and Accounts Payable accounts. According to the magnitude of the business, Sales and Purchase Ledgers may again be subdivided into City and Country Ledgers or in "A to L" and "M to Z" Ledgers or other divisions.

In this set, for the sake of simplicity, only two ledgers are kept. These are the Sales Ledger and the General Ledger, the creditors' accounts, of which there are comparatively few, being included in the General Ledger.

The ruling of the General Ledger is the old style "center" ruling, recognized by good accountants as best adapted for this ledger. The ruling of the Sales Ledger, however, is a new form, now almost universally used in loose-leaf and card systems. It may, of course, also be used in bound books, as is done in this set. This form is economical of space and considered generally very practical for personal accounts.

The Sales Ledger, as previously stated, contains the accounts of the firm's customers. It also contains the C. O. D. account, which is, in this set, kept in exactly the same manner as the customers' accounts, except that in the Items column the name of the debtor instead of the terms are given. The cash discount is deducted at the time the bill is made. It is entered in the Cash discount column on the debit side of the Cash Book and posted

to the credit of C. O. D. account, so that this account only shows the net amount to be returned.

ACCOUNTS

Progressive accountants consider the following the proper order of arrangement of items in a Trial Balance, Financial Statement or Balance Sheet: Quick Assets, Slow Assets, Trading and Operating (Nominal accounts), Liabilities, Proprietors. In accordance with this order of arrangement the following accounts are opened and kept in the General Ledger (no account is kept with Cash):

Notes Receivable (also called Bills Receivable) account.

The debit of this account is composed of the amounts of notes received and its credit of the amounts paid on such notes.

Accounts Receivable (also called Sales Ledger) account.

This account represents the ledger kept apart from the General Ledger. It is debited with the total of the Sales Recapitulation Sheets and credited with the totals of the Sales Ledger and Cash Discount columns on the debit side of the Cash Book, also with the total of the Rebate and Returned Goods-Credit Book and Journal entries, if any. Its balance must exactly agree with the aggregate balances of the Sales Ledger accounts.

Fixtures account.

It is debited for purchases of furniture and fixtures and closed into Loss and Gain account, after being credited with the inventory.

Mdse (Trading) account.

Into this account Mdse Purchases and Mdse Sales accounts are closed and it is, after the inventory is entered, closed into Loss and Gain account.

Mdse Purchases account.

It is debited with the total purchases, as shown by the Invoice Book, also with the amount of the In-Freight account, which is closed into it, and credited with the total of the Rebate and Returned Goods-Debit Book. It is closed into Mdse (Trading) account.

In-Freight account.

This account is debited with all items of freight on merchandise purchased and it is closed into Mdse Purchases account

Mdse Sales account.

This account is credited with the total of the Sales Recapitulation Sheets, debited with the total of the Rebate and Returned Goods-Credit Book and closed into Mdse (Trading) account.

Expense account.

Expense account is debited with all items of general expense, that is, with the total of the Expense column on the credit side of the Cash Book and with any items of expense coming from the Journal. It is credited with exchange, included in checks received from out-of-town customers, from the debit side of the Cash Book and it is closed into Loss and Gain account.

Salaries account.

In this set, Salaries account is debited with the salaries of the proprietors, the office force and the traveling salesman, but not with the shipping clerk's wages. The entries come from the Cash Book or Journal. It has a liability inventory of salaries earned and unpaid and it is closed into Loss and Gain account.

Traveling Expense account.

All traveling expenses when reported by the traveling salesman are debited to this account, being posted from the Journal, and it is closed into Loss and Gain account.

Some Houses charge to this account also the salaries of their traveling salesmen, but such is not done in this set.

Properly this account should be debited or credited with an inventory. Owing to the difficulty, however, of determining what is due from or owing to traveling salesmen at the time the books are balanced, this is omitted.

Teaming account.

This account is debited with all charges for hauling goods sold, to freight depots. The entries come from the Cash Book.

Some firms close this account into Mdse Sales account, thereby lowering the amount of their sales, but, in this set, it is considered an account of general expense and is closed into Expense account or direct into Loss and Gain account.

Box and Shipping account.

This account is charged for shipping supplies from the Journal and the wages of the shipping clerk from the Cash Book. It has a resource inventory of boxes on hand and a liability inventory of wages due and unpaid. It is closed into Loss and Gain account.

Insurance account.

It is debited with the premium paid for insurance (Cash Book entry) and, after being credited with the inventory, it is closed into Loss and Gain account.

Cash Discount account.

Cash Discount account is debited with the cash discounts allowed customers, as shown by the Cash Discount column on the debit side of the Cash Book, and credited with the cash discounts allowed the firm by its creditors as shown by the Cash Discount column on the credit side of the Cash Book. It is closed into Loss and Gain account.

Some Houses close the amount on the debit side of Cash Discount account into Mdse Sales account, thereby diminishing the amount of sales, and the amount on the credit side into Mdse Purchases account, thereby lowering the amount of purchases.

Interest account.

This account is debited for interest paid and credited for interest received. Interest due on notes is entered as an inventory and it is closed into Loss and Gain account.

Discount on notes, being in the nature of interest, is also charged or credited to Interest account. When discounting interest-bearing notes the interest received and discount paid requires two (opposite) Cash Book entries

Loss and Gain account.

All nominal accounts are closed, in the usual manner, into Loss and Gain account and it is closed into the proprietors' private accounts, not into their stock (investment) accounts.

J. C. Kennedy's account.

The account of a traveling salesman is debited for all payments made to him for whatever purpose and it is credited for his traveling expenses and salary, when earned.

Loan account.

To distinguish between the amount owing on notes given in settlement of accounts and notes given for loans made by a bank this account is kept. It is credited with the amount of loans received and debited with the amounts paid on such loans.

Notes Payable account.

Notes Payable account is credited for notes given in settlement of accounts and debited with payments on account of such notes. In this set only credit items appear in this account.

Creditors' accounts.

These accounts are credited with purchases from the Invoice Book and freight, prepaid and charged, if any, from the Journal. They are debited with cash paid creditors, cash discounts allowed the firm by them, with rebates and goods returned as shown by the Rebate and Returned Goods-Debit Book and with notes given creditors in settlement of accounts from the Journal.

Proprietors' private accounts.

They are credited with the salaries of the owners and the gains of the business and are debited with withdrawals for private use.

They would also be debited with any losses of the business, of which there are none, however, in this set.

Proprietors' stock accounts.

These accounts are credited with the investments made by the partners and debited with withdrawals of such, if any. There are no withdrawals of investments in this set.

As already stated, no Cash account is kept in the General Ledger.

Where a Cash account is kept in the ledger it is mainly for the purpose of determining the gross receipts and gross payments for any given period, which, however, has very little practical value.

Customers' accounts.

Customers' accounts, kept in the Sales Ledger, are debited with sales from the order blanks, credited with cash and cash discounts from the Cash Book, with rebates and goods returned from the Rebate and Returned Goods-Credit Book and with the amounts of notes, if any, from the Journal.

POSTING

TO THE SALES LEDGER

In posting, charges are entered in both the Debit and Balance columns, and payments, discounts or other credits in both the Credit and Balance columns; that is to say, the first debit entry is repeated in the Balance column and subsequent debits are added to, or credits are subtracted from, the amount in the Balance column, so that this latter

ACCOUNT NO. 1							ACCOUNT NO. 2						
J. W. Bredin & Co. 615 W. 63 rd St. Chicago, Ill.							J. N. Walters & Co. 356 Milwaukee Ave. Chicago						
DATE	ITEMS	FOLIO	DEBITS	V	CREDITS	BALANCE	DATE	ITEMS	FOLIO	DEBITS	V	CREDITS	BALANCE
1922	Jan 4 60- ³⁰ / ₁₀	1	75 66			75 66	Jan 4 30- ³⁰ / ₁₀	2		57 32			57 32
	6 60- ³⁰ / ₁₀	6	99			174 66	" 4 60- ³⁰ / ₁₀	2		83 15			136 47
	11 Cash	8			171 17	3 49	10 30- ³⁰ / ₁₀	9		58 76			195 23
	11 Dis	8			3 49	-	10 60- ³⁰ / ₁₀	9		24 90			220 13
	16 30- ³⁰ / ₁₀	14	861			861	13 Cash	8			134 26		85 87
	16 60- ³⁰ / ₁₀	14	119 85			128 46	13 Dis	8			2 21		83 66
	20 Cash	8			125 97	2 49	18 30- ³⁰ / ₁₀	18		75 36			159 02
	20 Dis	8			2 49	0 00	18 30- ³⁰ / ₁₀	19		4 63			163 65
	28 30- ³⁰ / ₁₀	26	1 85			1 85	18 60- ³⁰ / ₁₀	19		282 89			446 54
	28 60- ³⁰ / ₁₀	26	38 17			40 02	20 Cash	8			82 57		263 97
Feb	7 Cash	10			39 24	78	20 Dis	8			1 09		262 88
	7 Dis	10			78	-	24 30- ³⁰ / ₁₀	23		5 10			267 98
	7 30- ³⁰ / ₁₀	24	27 38			27 38	24 60- ³⁰ / ₁₀	23		57 20			419 18
	7 60- ³⁰ / ₁₀	24	179 25			206 63	28 Cash	8			79 19		339 99
	17 Cash	12			202 77	3 86	28 Dis	8			80		339 19
	17 Dis	12			3 86	-	Feb 3 Cash	10			55 23		282 96
						etc. etc.	3 Dis	10			1 07		282 89
													etc. etc.

column, at all times, shows the exact indebtedness. When balanced, dashes (—|—) are drawn through this column, or ciphers (00|00) are inserted. (See illustrations of accounts No. 1 and No. 2.)

Posting from the Order Blank. 30-day, 60-day and 4-mo. bills are posted separately to the debtor's account and, instead of using the term "Mdse," the terms and discounts of the bill or bills are recorded in the Items column, thus: 30-1/10, 60-2/10, 4-mo.-4/10,

meaning 30 days net, 1% 10 days, 60 days net, 2% 10 days, and 4 months net, 4% 10 days. This is done in order to have the account show the different discount limits and to enable the bookkeeper to determine from it the dates of maturity of the different bills without referring to the order blank for this information. In postmarking, the number of the order is inserted in the Folio column of the account and the number of the account in the Ledger Folio space on the right hand side of the order blank.

Posting from the Cash Book. Cash payments and cash discounts are also posted *separately* to the debtor's account, the latter following the former. This is done to have the account show fully in what manner the account was settled.

If a remittance covers settlement in full, or is made on account, of bills of different dates, it is practicable to also post these *separately* (necessitating, of course, separate Cash Book entries), in order to be able to determine readily which bills in an account are paid and which remain unpaid. Bills thus paid are "checked out" of an account; that is, they are marked in some way to indicate that they are paid. The check mark column and the ordinary check mark (✓) are often used for "checking out" purposes, but this is not proper, for this column is intended for checkmarking when proving the trial balance, and marks previously made and for another purpose are confusing. It is well to "check out" paid bills by placing a certain, specially adopted, mark in red ink upon or immediately after the vertical line separating the Folio and Debits columns. (See page 12.)

Posting from the Rebate and Returned Goods-Credit Book is done in the usual manner. Various terms are used in the Items column in the Sales Ledger account for such credits, such as "Mdse," "Returns," "Memo.," "Rebate," or the terms and discounts upon which the original bill was sold, and now partly or wholly credited, are given in the Items column.

Posting from the Journal is also done in the usual way. In the Items column in the Sales Ledger account proper explanations should be given, and in postmarking the letter "J" should precede the folio number.

TO THE GENERAL LEDGER

Posting from all books to the General Ledger is done in the customary manner and needs no further explanation.

DATES FOR POSTING

It must be distinctly understood that the date posted must *always* be the date of the transaction, *never* the date when the posting is done. The date of billing (which, whenever practicable, should be the date of shipping) is the posting date for sales, and so is the date of the incoming bill the posting date for purchases.

Bills which should have been posted before a trial balance was taken, but which were not received until after the books were balanced, must show both the month in which they were entered and their actual dates.

For instance, the bills of The American Tobacco Company (No. 24 and No. 25), dated Jan. 26 and received Feb. 4, are entered thus | Feb. | 1/26 |; that is, the month in which the bills were posted is placed in the larger date column and the actual date in the smaller. This is necessary to avoid confusion in checking in the event the books are found to be out of balance.

Transactions involving Sales Ledger items, in this set, are to be posted at the time they occur, while General Ledger transactions may be posted at the end of the week or end of the month, as directed by the teacher.

TRIAL BALANCES

General Ledger. In taking trial balances, in this set, only debit or credit balances, *not* both footings of the accounts, are to be used. The first item to be listed is Cash, taken from the Cash Book; then all accounts are listed, in the order in which they appear in the ledger, in the wide space on the left hand page in the Trial Balance Book. In the small column to the left of this space the ledger folio and in the heading of the debit and credit columns the date of the trial balance are inserted.

The accounts of the following: Rubel Mfg. Co., Pillsbury-Washburn Flour Mills Co., Westfeldt Bros., The American Tobacco Company, and Sheboygan Cheese Co. need not be listed, for their accounts are not open at any time a trial balance is taken.

Sales Ledger. Since in Sales Ledger accounts only debit balances are shown, the proving of the trial balance is done by inserting in the credit column, as a last item, the balance of the Accounts Receivable account in the General Ledger. This balance, of course, is not a credit but a debit balance, and is only reversed in order to have both columns show the same amount. In this trial balance also all accounts, whether they are active or not, are listed, and folios and dates placed in their proper places.

BILLING

The student, in this set, assumes the duties of the bill clerk as well as the duties of the bookkeeper and cashier.

The first step on the part of the bill clerk is to make the extensions on the order blank when returned by the shipping clerk. The extensions are made in accordance with the following terms:

In the column headed "30 Days" are placed the amounts of such items as are sold 30 days net, 1% 10 days. These are flour, sugar, salt, matches, dried fruits, cheese, cereals, sardines and olive oil.

In the column headed "60 Days" are placed the amounts of such items as are sold 60 days net, 2% 10 days. These are coffees, soaps, canned goods, tobaccos and cigars.

The only item sold on 4 months' time, 4% 10 days, is tea, and this, occurring infrequently, is extended in the margin to the right of the "60 Days" column.

The columns are then footed and the order is billed.

Billing is making a copy of the completed order blank. A separate bill, however, is made for all 30-day items in an order, its total corresponding with the total of the "30 Days" column, another bill for all 60-day items, and still another for tea, should the order contain such an item.

The terms and discounts are noted on the bills in their proper places and the dates of such bills inserted in the place provided for them on the order blanks.

TO THE STUDENT

Before starting upon the actual work of this set, prepare, in proper manner, your ledgers.

First number the pages of your General Ledger from 1 to 16, giving the index in front numbers 1 and 2.

Then number the accounts in your Sales Ledger from 1 to 16.

Next open General Ledger accounts by writing proper titles in the order and on the pages and lines given below. Do not, in any case, abbreviate a ledger title, except the

word "Company," which may be written "Co."; also do not omit "The," where "The" is used, but it is proper to use the "&" sign instead of the written word "and." The ledger title is not complete without proper address, and this is not only to include the city and state but also street and number, when known. Supply all such addresses in a neat, small hand. Below the line on which an account is to be opened (the line given being considered the title line) rule double lines through the entire width of the page in red ink and start the account on the line directly below the double ruling.

GENERAL LEDGER ACCOUNTS

PAGE	NAME OF ACCOUNT	LINE	PAGE	NAME OF ACCOUNT	LINE
3	Notes Receivable	title	11	Remington Typewriter Co.	25
	Accounts Receivable	8		The Waukesha Canning Co.	33
	Fixtures	31	12	Rubel Mfg. Co.	title
4	Mdse (Trading)	title		Pillsbury-Washburn Flour	
	Mdse Purchases	15		Mills Co., Ltd.	7
	In-Freight	29		The N. K. Fairbank Company	18
5	Mdse Sales	title		Biloxi Canning Co.	31
	Expense	15	13	The Diamond Match Co.	title
6	Salaries	title		The J. K. Armsby Co.	14
	Traveling Expense	25		Westfeldt Bros.	25
7	Advertising	title		International Salt Co.	36
	Teaming	11	14	The American Sugar Refining Co.	title
	Box and Shipping	25		Rathborne, Hair & Ridgway Co.	10
8	Insurance	title		The American Tobacco Co.	19
	Cash Discount	11		Sheboygan Cheese Company	32
	Interest	26	15	The American Cereal Co.	title
9	Loss and Gain	entire page		John C. Siegfried & Co.	15
10	J. C. Kennedy	title		Francis H. Leggett & Co.	23
11	Loan	title	16	Herbert Templeton (Private)*	title
	Notes Payable	8		Ray E. Parker (Private)	13
	The A. H. Andrews Co.	17		Herbert Templeton (Stock)	27
				Ray E. Parker (Stock)	36

*Although it is desirable to have the proprietors' accounts on one page, Herbert Templeton's private account may, to avoid crowding page 16, be opened on page 15, line 30, and the remaining three accounts may be given 1/3 each of page 16.

Now open the following Sales Ledger accounts, observing instructions given when opening General Ledger accounts, as to abbreviations, supplying addresses, etc.

SALES LEDGER ACCOUNTS

Acct. No.	NAME OF ACCOUNT	Acct. No.	NAME OF ACCOUNT
1	J. W. Bredin & Co.	9	L. M. Wetzel
2	J. H. Walters & Bro.	10	J. W. Chaffee & Co.
3	C. E. Brooks & Bro.	11	W. H. Callow Grocery Co.
4	Benj. Tarner	12	Shaw Grocery Co.
5	G. A. & C. L. Adkins	13	Hamlin & Walker
6	A. M. Royce Grocery Co.	14	C. O. D.
7	L. S. Terrell & Co.	15	Armstrong Grocery Co.
8	L. E. Megan Grocery Co.	16	B. G. Clarke

INDEXING

Immediately after you have opened an account, index it in a proper manner in the index on pages 1 and 2, using abbreviations, if space makes this necessary.

In indexing personal accounts follow this rule: Separate the ledger title at the beginning of the surname (or principal name), place the latter part in the "Surname" column and the part preceding the surname in the "Given Name" column, thus: "Fairbank Company" in the "Surname" column, and "The N. K." in the "Given Name" column; "Diamond Match Co."—"The"; "Walters & Bro."—"J. H.", etc.

Familiarize yourself with the blank books and contents of your outfit, and starting upon the transactions of this work bear constantly in mind that absolute accuracy is the first requisite to good accounting; next comes neatness, lastly speed. Never sacrifice accuracy or neatness for the sake of speed. Do your work in an interested, conscientious manner; be accurate and neat in every detail of your work; follow instructions closely, but learn to rely upon yourself as you progress, and the study of this work will be of great and lasting benefit to you.

TRANSACTIONS FOR JANUARY

JANUARY 2, 1905

Herbert Templeton and Ray E. Parker have established themselves as copartners in the wholesale grocery business in the city of Chicago under the style of "Western Grocery House."

The terms and purposes of the copartnership are set forth in a document called "Articles of Co-Partnership," properly executed, signed by the copartners and witnessed. Take this document from the "Incoming Papers" envelope, study it deliberately and thoughtfully, and when you understand it, file it in the envelope labeled "Outgoing Papers."

The firm engages you as bookkeeper and cashier at a salary of \$20.00 a week; also Herbert Slater as shipping clerk, whose wages are to be \$10.00 a week, and Miss Edna Wilson as stenographer, who is to receive \$10.00 a week for her services. The House also engages Mr. J. C. Kennedy as a traveling salesman. He is to receive a salary of \$75.00 a month and traveling expenses for the first three months, and \$100.00 salary a month and traveling expenses thereafter. The salaries of the partners are, as stipulated by their agreement, \$100.00 per month each. Make a memorandum of these items.

Mr. Templeton will take upon himself the duties of office manager, credit man and correspondent, while Mr. Parker will do the buying and have charge of the stock.

According to their respective duties, Mr. Templeton will O. K. all orders and all incoming invoices pertaining to office supplies, while Mr. Parker will O. K. all invoices for merchandise and stock room and shipping supplies. These bills will come to you, as bookkeeper, O. K.'d, but only as to quantities and prices. It will be your duty to examine them carefully and verify their extensions and footings. Adopt one of the following check marks ✓, √, ∕, ×, and check with this mark the items as you verify them. When the bill is found to be O. K. by you, put your initials below that of Mr. Parker or Mr. Templeton.

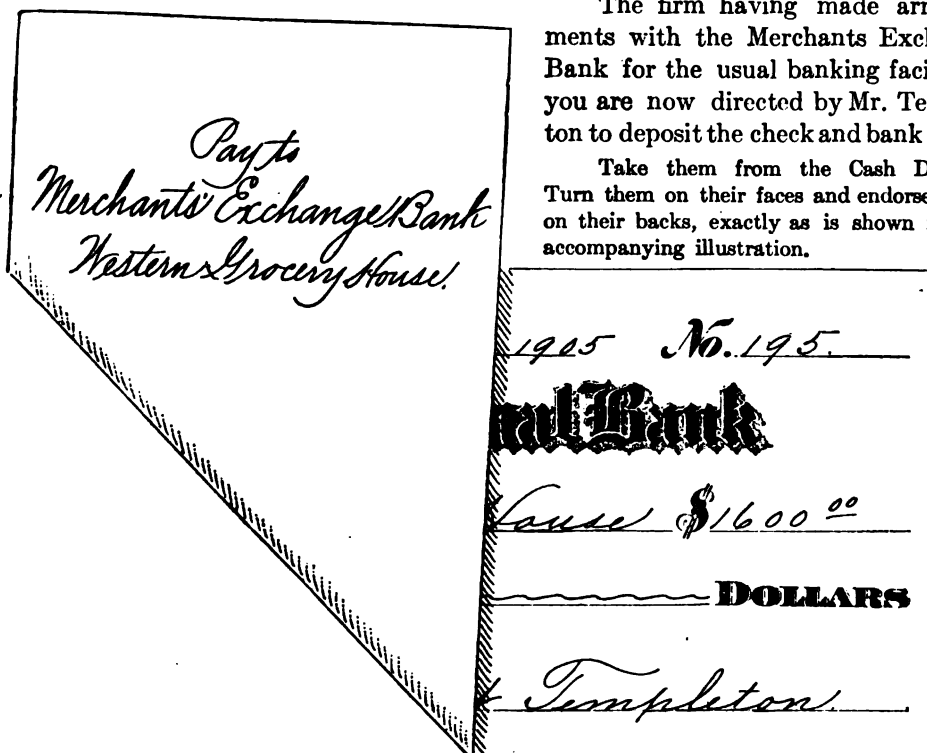
As his investment in the firm Mr. Templeton hands you his personal check for \$1600.00, currency amounting to \$200.00 and two promissory notes, one for \$1000.00 and one for \$800.00. The notes are credited to Mr. Templeton at face value.

Detach check No. 1 from the pad of incoming checks and drafts and take the currency from the envelope labeled "Incoming Papers." Examine the check carefully. See that it is properly dated, that the written amount agrees with the amount in figures, that it bears a signature and that it is made payable

to the firm. Count the currency. Now make *one* entry for this cash investment in your Cash Book, crediting "Herbert Templeton (Stock)" account, and place both the check and currency in the pocket, headed "Cash Drawer," in the Pocket File. Then detach from the pad notes No. 2 and No. 3, inspect them as to dates, amounts, signatures, etc., as you did the check; also see that they are properly endorsed to the firm. Enter them first in the Bill Book, then credit Mr. Templeton for their amounts through the Journal, supplying proper explanations, and place them also in the Cash Drawer.

Mr. Parker's investment consists of a New York bank draft for \$1800.00, which is now handed you by him.

Detach draft No. 4 from the pad and after carefully examining it make entry for it in the Cash Book, crediting "Ray E. Parker (Stock)" account, and place this also in the Cash Drawer.



The firm having made arrangements with the Merchants Exchange Bank for the usual banking facilities, you are now directed by Mr. Templeton to deposit the check and bank draft.

Take them from the Cash Drawer. Turn them on their faces and endorse them on their backs, exactly as is shown in the accompanying illustration.

Do not add "per (your name)," for this is quite superfluous, since in actual business endorsements of this sort are usually made with a rubber stamp.

Make the endorsement at the left hand end, about an inch from the top. Always write across the paper, never longitudinally.

Now take a deposit ticket from your outfit and fill it out as is shown in the illustration on page 18.

Then enter the amount of the deposit in the amount column on the stub of the check book, marking it "Deposit," and place the check, draft and deposit ticket, the latter on top, in your bank book (pass book) and present it to your teacher, who represents the receiving teller of the bank.* He will enter the date and amount of your deposit and his initials in the pass book and return the same to you.

No entry is to be made of this deposit upon your books. Cash in the bank is the same, for all practical purposes, as cash in the drawer. The bank will return the money on demand. File the papers and ticket in the pocket headed "Bank" in the Pocket File.

*If your school has a bank, and your teacher directs you to do so, make your deposit there.

The firm having leased the first floor in the building located at 45 East Randolph Street, you will now pay the owner, Mr. M. L. Brown, one month's rent in advance.

Take the lease from the Incoming Papers envelope and read it carefully and until you are familiar with its form and contents, then file it in the Outgoing Papers envelope. Pay the amount of rent named in the lease with currency from the Cash Drawer and receive a receipt therefor by detaching receipt No. 5 from the pad. Make entry in the Cash Book, charging Expense account. Enter the amount in the Expense column, and since the item is not to be posted, check it in the L. F. column. File the currency in the Outgoing Papers envelope and the receipt in the Paid Invoices, etc., pocket.

JANUARY 8

Receive a bill from The A. H. Andrews Co. for office fixtures, which have been installed.

Detach bill No. 1 from the pad of incoming bills. This is not a bill for merchandise and it is, therefore, not pasted in the Invoice Book. After you have found it to be properly O. K.'d and have verified and checked its extensions and footings, make entry of it in the Journal, debiting Fixtures account, then file it in the pocket headed "Unpaid Invoices for Other Than Merchandise."

Deposited with the

Merchants Exchange Bank

For Account of

Western Grocery House

January 2, 1905

Currency, _____			
Coin, _____			
Checks, _____		1600	
<i>N. Y. 1800.</i>			
		1800	
		<u>3400</u>	

Receive a bill from the Remington Typewriter Company for typewriter, desk and supplies delivered.

Detach bill No. 2 from the pad and treat it in exactly the same manner as bill No. 1.

Receive an invoice from The Waukesha Canning Co. for a carload of canned goods which have been delivered to the stock room and checked with the invoice.

Detach bill No. 3. This is an invoice for merchandise and it is to be pasted in the Invoice Book. Although the goods were shipped Dec. 30, 1904, the invoice is dated, by request of the firm, Jan. 2, 1905. It bears Mr. Templeton's O. K. His O. K., you must remember, is for quantities and prices only. You must figure the extensions and footings, as you have done in the other bills. Do so and check them with your check mark. Then paste the bill in the Invoice Book. It being the first one on a page, it is to be pasted

both top and bottom. Then extend the amount of the bill in the column at the right directly opposite the amount on the invoice.

Note the terms of the bill. What are they? Where must the firm pay this bill in order to save the discount?

Receive a bill from the Wisconsin Central Railway Co. for freight on the carload of canned goods from Waukesha. Pay it in currency.

A railroad freight bill is called an "Expense Bill." Detach No. 1 from the pad of expense bills. The weight given is O. K.'d by Mr. Parker as approximately correct, also the rate. Go over the figures and check them, then pay the bill with currency from the Cash Drawer, have it receipted by your teacher,

and make entry of it in the Cash Book, charging In-Freight account. File it in the Paid Invoices, etc., pocket, and the currency in the Outgoing Papers envelope.

When paying currency, always use highest possible denominations; for paying this bill, for instance, use the following: one \$10 bill, one \$5 bill, two \$2 bills, one 50¢ piece and one 10¢ piece.

Mr. Templeton directs you to hand Mr. Kennedy, who will start upon a trip this morning, \$50 for traveling expenses.

Take the money (one \$50 bill) from the Cash Drawer and transfer it to the Outgoing Papers envelope. Charge this payment to Mr. Kennedy's account, *not* to Traveling Expense account.

Receive a bill for office supplies from the Rubel Mfg. Co.

Detach bill No. 4 from the pad of incoming bills, verify and check it, note the terms, make entry of it in the Journal, charging Expense account, and file it in Unpaid Invoices pocket.

Receive order No. 1, which has just been taken from Mr. Bredin of the firm of J. W. Bredin & Co., this city.

Detach it from your pad of orders and pass it to the shipping clerk by depositing it in the pocket headed "Shipping Clerk." See that it bears Mr. Templeton's O. K. as to credit before doing so, but no entry is to be made of it until the order is shipped.

Receive also orders No. 2 and No. 3, taken from city customers, and No. 4, sent in by Mr. Kennedy, the traveling salesman.

Treat these orders the same as order No. 1. Pay particular attention to their bearing proper O. K.'s as to credit.

Receive a bill from P. F. Pettibone & Co., terms C. O. D, for account books and miscellaneous office supplies.

C. O. D. denotes "collect on delivery," and you must pay this bill at once in order to get possession of the goods. Detach bill No. 5 from the pad of incoming bills, examine it, verify and check its extensions and footings. Pay it with currency and make entry charging Expense account. File it, after you have had it receipted by your teacher, in the Paid Invoices pocket. File the currency in the Outgoing Papers envelope.

JANUARY 4

The shipping clerk turns in order No. 1 as having been delivered.

Take this order from the Shipping Clerk's file, extend the amounts and foot the extensions. Use great care in your computations. Then take a blank billhead from your outfit and make out the bill. In billing, first insert the date, which is to be the date of shipping; next fill in, carefully and correctly, the customer's name and address; then note the terms and discount, and lastly copy the items and amounts exactly as they appear on the order blank. When finished insert the date in the space "Date Billed" on the order blank.

Have the bill O. K.'d by your teacher, then place it in the Outgoing Papers envelope.

Now post this order. Turn to J. W. Bredin & Co.'s account in the Sales Ledger (Account No. 1), write the date in the Date column, the terms and discount in the Items column, thus, 60-2/10, the number of the order in the Folio column and the amount of the order in both the Debit and Balance columns. (See illustration of account No. 1, on page 12.) Postmark the order blank by writing the number of the account in the space "Ledger Folio" and insert the blank in the Sales Binder.

Receive an invoice from the Pillsbury-Washburn Flour Mills Co., Limited, for flour, which has been delivered on Mr. Parker's order.

Detach bill No. 6 from the pad and treat it the same as No. 3. Do not fail to note the terms and discount.

As you will be required to sign all checks, it is necessary for you to have a Power of Attorney. Mr. Parker and Mr. Templeton have joined in executing the necessary instrument.

Take the paper from the Incoming Papers envelope and read it carefully. Have your teacher fill in your name. This instrument bestows upon you the authority to sign the firm name to all checks, also to

drafts, receipts and notes. Having this authority, the Merchants Exchange Bank will now require you to leave your signature at the bank. This signature will be

Western Grocery House,
Per (your name).

In case of an endorsement for deposit it is not necessary to use "per (your name)," as already explained, but when signing checks this is, for obvious reasons, necessary, and it is imperative that the style of signature be always the same.

Therefore, whenever you sign a check, be sure to sign it in exactly the same manner. You will find in the Incoming Papers envelope a Signature Card; fill this out properly, exhibit both Power of Attorney and Signature Card to your teacher, representing the bank cashier, and deliver the Signature Card to the bank by filing it in the Bank pocket.* File the Power of Attorney in the Outgoing Papers envelope.

From the fact that a Power of Attorney to sign checks, etc., is given to the bookkeeper in this set the student must not infer that it is the general custom, for such is not the case.

Receive an invoice of soaps from The N. K. Fairbank Company.

Detach bill No. 7 and treat it as you have treated similar bills.

The shipping clerk returns orders No. 2 and No. 3, showing deliveries.

Follow closely instructions given with order No. 1, also read "Billing" on page 14. Extend the amounts, foot the extensions, bill, have the bills O. K.'d, file the bills, post and place the order blanks in the Sales Binder in proper numerical order (No. 3 on top). Each of these orders contains 30-day and 60-day items. Be sure to extend the amounts in the proper columns. Make out *separate* bills for the 30-day items and for the 60-day items. Also post the bills *separately*. First post the 30 day charge, entering the amount in both the Debit and Balance columns, then enter the 60-day charge in the Debit column and add the amount to the amount in the Balance column, so that now this column shows the total of the two charges. (See illustration of account No. 2, page 12.)

Receive an invoice for shrimp and oysters from the Biloxi Canning Co.

Detach bill No. 8 from your pad. This invoice is dated Jan. 4, 1905, though the goods were shipped Dec. 29, 1904. The post-dating has been done as an accommodation to the new firm. Treat this bill as you did similar ones previously.

Receive an expense bill from the Chicago & Eastern Illinois Railway Co. for freight on the shipment from Biloxi. Pay this bill by check.

Detach expense bill No. 2. Verify and check it.

In paying this bill you are, for the first time, using a check. Take the check book from your outfit. First fill out the stub, entering upon it a proper number (No. 1), the date, to whom paid, for what paid and the amount. Then extend the amount in the Amount column to the right and subtract it from the amount of the deposit entered on the 2d instant. Now write the check. Date and number it properly. Write the amount in figures and in words in their proper places and draw a wavy or straight line through any unused portions of such spaces. Write the figures close together and leave no space between the first figure and the dollar mark. Sign it exactly as you signed the signature card.

Have your teacher O. K. this check, also have him receipt the expense bill, then file the former in the Outgoing Papers envelope and the latter in the Paid Invoices pocket.

Make Cash Book entry, charging In-Freight account.

Receive orders No. 5 and No. 6, taken from customers who called.

If properly O. K.'d, pass them to the shipping clerk.

JANUARY 5

Order No. 4 has been shipped.

Make proper extensions and footings, bill, post and place the order in the binder.

Salesman Kennedy sent in an order, which has been given the number 7. Receive the same and treat it in the usual manner.

The shipping clerk returns order No. 5.

*If there be a bank in your school, present the document to the cashier by instruction of your teacher; also leave the Signature Card.

JANUARY 6

Receive an invoice from The Diamond Match Co. (No. 9), also two invoices from The J. K. Armsby Co. (No. 10 and No. 11).

The shipping clerk turns in orders No. 6 and No. 7.

Receive order No. 8, sent in by Mr. Kennedy.

JANUARY 7

Mr. Kennedy's traveling expenses for the week January 2 to 7, have been \$15.60.

Make Journal entry, charging Traveling Expense account and crediting J. C. Kennedy's account, supplying proper explanations.

Pay \$2.50 in currency for postage stamps.

Transfer the currency from the Cash Drawer to the Outgoing Papers envelope. Make Cash Book entry, charging Expense account. Enter in Expense column and check the entry.

Pay the salaries due today.

Examining the currency in the Cash Drawer, you find that there is not enough to pay the salaries, and anticipating that you will need this currency to pay petty cash items the following week, you are instructed to draw the amount necessary to pay the salaries from the bank. Draw a check for \$40.00 in favor of "Currency," draw the cash and distribute the salaries imaginatively. The bank requires such "Currency" checks to be endorsed by the person drawing the money. This is for no other reason than to know to whom the money was paid. Endorse the check with your name only, *not* "Western Grocery House." Fill out the stub of the check book properly and deduct the amount drawn from the previous balance.

In making Cash Book entries for salaries, use one line for each item, but extend only the total in the General column, to be posted.

Charge the shipping clerk's wages to Box and Shipping account.

JANUARY 9

Receive orders No. 9 and No. 10.

Order No. 8 is returned by the shipping clerk.

G. A. & C. L. Adkins claim that the headless shrimp sold them on the 5th inst. are not up to the grade the firm represented them to be, and ask the privilege of returning them. They will keep the shrimp if an allowance of 55¢ a case is made for them. To this the firm consents.

Make entry for this allowance in the Rebate and Returned Goods-Credit Book, supplying proper explanation. Then take a credit memorandum blank from your outfit and fill it out in a proper manner. Have it O. K.'d by your teacher, and mail it by filing it in the Outgoing Papers envelope. Post the entry to the customer's credit.

If the House would avail itself of any cash discount it must, allowing due course of mail, send its remittance so that it may reach its destination on or before the bill is due. The invoice of the Waukesha Canning Co. of Jan. 2 is due in Waukesha on the 12th inst., and you will pay it today. Pay by check.

Ascertain from the bill in the Invoice Book the per cent of discount, figure the discount and deduct it from the amount of the invoice. Draw a check for the net amount. Chicago paper is current in Waukesha and therefore no exchange is to be included in the check. Make Cash Book entry, placing the amount of the discount in the Discount column on the same line with the payment. Write a receipt, dating it to-morrow, have your teacher sign it and file it in the Paid Invoices pocket. File the check in the Outgoing Papers envelope.

JANUARY 10

Receive an invoice of coffees from Westfeldt Bros.

Detach bill No. 12. Note that this invoice is dated Jan. 2, which date you must use for posting this invoice (see "Dates for Posting," page 13); also note the terms. Treat it in the usual manner.

The terms of the invoice just received are "60 days—Net. 2%—Spot Cash on receipt of pro forma invoice." Although the coffee has not yet arrived, the invoice must be paid at once in order to save the discount. You are, therefore, instructed to pay this invoice by check.

Follow instructions given when paying the invoice of the Waukesha Canning Co., on the 9th inst. Include, however, exchange in this check, as a Chicago check is not current in New York. The charge for collecting it is 1/10 of 1% and the amount to be added to the check is \$1.19. Make separate Cash Book entry for the exchange, charging Expense account.

Receive orders No. 11 and No. 12, left by customers who called.
The shipping clerk returns, as shipped, order No. 9.
Receive order No. 13, sent in by mail.

JANUARY 11

Receive an expense bill from the Pennsylvania Railroad Company for the shipment of coffee, which has been received (No. 3). Pay it by check.

Treat this as you have been treating previous expense bills.

Pay by check the invoices of The J. K. Armsby Co. of the 6th inst., less discount.

These bills are due to-day, the discount limit being 5 days. Armsby & Co. are a city House, however, and if sent promptly the check will reach them in due time. Deduct discount, make entries, prepare a receipt and have it signed by your teacher, then file both check and receipt.

Receive check from J. W. Bredin & Co. in settlement of bills of January 4 and 6, less discount.

Detach check No. 6 from your pad. Figure the discount to which Bredin & Co. are entitled, taking the data from their ledger account. If correct, enter the amount of the check in the Sales Ledger column on the debit side of the Cash Book and the amount of discount in the Cash Discount column on the same line. Take these bills from the Outgoing Papers envelope and, prior to receiving the bill of Jan. 4, write in either red or black ink on the 6th line immediately below the items of the bill, and starting at about the center, "2% Cash Discount," extend the amount, \$1.51, in the Amount column and subtract it from the amount of the bill, \$75.66, leaving a balance of \$74.15.

Then receipt the bill by writing upon it "Received Payment. January 11, 1905. Western Grocery House, per (your name)," and return the same to the Outgoing Papers envelope. Treat the bill of the 6th in a like manner.

Now post these credits. First post the amount of cash received, entering the date in the Date column, "Cash" in the Items column, the Cash Book folio in the Folio column and the amount of cash in the Credit column; then subtract this amount from the amount in the Balance column just above it and enter the difference in the Balance column. Next post the discount in the same manner, writing "Dis." in the Items column, and subtract the amount from the amount in the Balance column. Since these two amounts agree, that is, since the account balances, draw now dashes through the Balance column, thus: — —, indicating that the account is closed. *Do not rule it up.* (See illustration of account No. 1 on page 12.) Postmark the Cash Book properly. Place the check in the Cash Drawer.

Receive order No. 14.

JANUARY 12

Receive orders No. 15 and No. 16, both sent in by Mr. Kennedy.

The shipping clerk turns in orders No. 10 and No. 11 as shipped.

Receive an invoice of salt from the International Salt Co.

Detach bill No. 13 and dispose of it in the proper manner.

Ascertain what your cash balance is. It is quite low. Several large bills will fall due in a few days and Mr. Parker and Mr. Templeton have conferred in reference to discounting the Erskine note at the bank. The bank has consented to discount it at 6%.

Figure the discount. Endorse the note. Your Power of Attorney gives you authority to do so. Since this is not an endorsement for deposit, you must add your name to the endorsement.

Your teacher, representing the note teller of the bank, will enter the proceeds in your pass book.* This is equivalent to making a deposit and you will now enter the amount on the stub of your check book, adding it to the previous balance. Instead of making the explanation "Deposit," call it "Discount." Enter the amount of the note on the debit side of the Cash Book and the amount of the discount on the credit side of the Cash Book, debiting Interest account. Make proper notation of the discounting in your Bill Book. File the note in the Bank pocket.*

Pay by check the bill of the Pillsbury-Washburn Flour Mills Co., Limited, of the 4th inst., less discount, following instructions previously given.

JANUARY 13

Order No. 12 is returned by the shipping clerk, also order No. 13.

Order No. 13 was received by mail and no prices were agreed upon at the time the order was received. These you are now to supply from the lists of Variable Selling Prices given on page 49. Ask your teacher to assign to you one of these lists. Use this list for all mail orders and be sure to use only *this* list. The use of this list will make your results differ from those of another who has a different price list.

Receive a check from J. H. Walters & Bro. in payment of invoices of the 4th inst. (No. 7). Receipt the bills.

Receive a check from C. E. Brooks & Bro., in settlement of invoices of the 4th inst. (No. 8). Receipt the bills.

Pay by check the bill of the Rubel Mfg. Co. of the 3d inst., less discount.

Make payment and entries as usual; take the bill from the Unpaid Invoices pocket, have it receipted and file it in the Paid Invoices pocket.

Pay by check the invoice of the Biloxi Canning Co. of the 4th inst., less discount.

Chicago paper is at par in Biloxi; therefore no exchange is to be included in the check. Make out a receipt and have it signed.

JANUARY 14

Make deposit of all checks on hand, but retain the currency.

Do not forget to enter the amount of your deposit on the stub of your check book and to add it to the previous balance.

Pay the weekly salaries.

Draw a check in favor of "Currency" and follow instructions given when paying the salaries on the 7th inst.

Receive Mr. Kennedy's report of traveling expenses for the week Jan. 9 to 14, amounting to \$22.50.

Make Journal entry as previously done.

Pay by check the invoice of The N. K. Fairbank Company of the 4th inst., less discount.

You are directed by Mr. Templeton to post your books and prove the correctness of your work by taking a trial balance.

You have already posted your orders, the remittances made by the firm's customers and discounts allowed them, also the credit from the Rebate Book.

The next step will be to post the Invoice Book. Do this now by posting the invoices to the creditors' accounts in the General Ledger. Postmark by writing the ledger folio on the invoices, as is shown in the illustration on page 6, and by writing the number of the invoices in the Folio column in the ledger. Then foot the columns at the right and post the total footing to the debit of Mdse Purchases account. Postmark by placing folio numbers in their proper places.

Post the Journal in the usual manner.

*If you have a bank, have the entry made there, also deliver the note to it.

Receive check from L. S. Terrell & Co. in settlement of bills of the 9th inst., less discount and plus exchange, 10¢ (No. 10).

Receive order No. 21, which was forwarded to the House by mail and which was copied on one of the regular blanks.

Order No. 17 has been shipped.

JANUARY 18

Receive an invoice of sugar from The American Sugar Refining Co. (No. 14).

Sugar is sold by the refining company "freight paid." It is put up in barrels running in weight from 330 to 360 lbs., the average being about 350 lbs. It is also put up in sacks of the uniform weight of 100 lbs.; 100 barrels or 400 sacks always constitute one carload.

The American Sugar Refining Co. requires that wholesalers and jobbers of their product shall place it, when selling, on a separate order and also on a separate bill. When, therefore, an order is received which includes sugar with other goods, a separate order is made out for the sugar and it must be billed separately, but all are shipped together.

Note the terms: Cash 1%—7 days, New York Funds; also note the date.

Receive a check from C. E. Brooks and Bro. for the 30-day bill of Jan. 12, less discount (No. 11).

Orders No. 18 and No. 19 have been shipped.

L. M. Wetzel complains of the quality of the headless shrimp sold him on the 16th inst. Allow him 15¢ per can and send a credit memorandum.

JANUARY 19

Receive bill from the Joseph Stockton Co. for teaming, and pay it by check.

Detach bill No. 15. Note that this bill is *not* O. K.'d by Mr. Parker or by Mr. Templeton. You are to check up this bill and, when found correct, to O. K. it. Charge Teaming account.

Turning to order No. 4, which was shipped on Jan. 5 by the C. B. & Q. R. R., you will find it to contain 4 cases of peas, 6 cases of corn, 7 cases of oysters and 10 cases of shrimp, 27 pieces in all, which tallies with the number given on the bill. Now turn to order No. 7. Here you find 8 bbl. of flour and 3 bbl. of flour in 1/8 sacks, 4 cases of matches and 3 cases of salmon, apparently only 18 pieces, while the bill has 39. This seeming discrepancy is found in the number of sacks of flour which are counted, instead of the barrels. The difference in the number of barrels (3) and the number of sacks (24, 8 to a barrel) gives the correct number of pieces. Then turn to order No. 8, which has 19 pieces, and to order No. 13, which has, counting the sacks of flour, 95 pieces. Compute the items at 5¢ a piece. O. K. the bill, writing your initials below the O. K., pay the bill, have it receipted and file both bill and check.

JANUARY 20

The shipping clerk returns orders No. 20 and No. 21 as shipped.

Remember that you must affix prices to the items in order No. 21 according to the price list assigned to you by your teacher. Be sure not to use another price list, for if you do you cannot get correct results.

J. W. Chaffee & Co. also complain of the quality of the headless shrimp sold them on the 16th inst. Allow them a rebate of 15¢ per can, and make out a credit memorandum.

Turn over to the shipping clerk order No. 22, which has just been received from the traveling salesman.

Receive check from the L. E. Megan Grocery Co. for bills of the 12th inst., less discount (No. 12).

Receive credit memorandum from the Biloxi Canning Co., for rebate on the headless shrimp found to be not up to grade (No. 16).

Enter in the Rebate and Returned Goods-Debit Book. File the credit memorandum in the Outgoing Papers envelope.

Receive check from J. H. Walters & Bro. in payment of bills of the 10th inst., less discount (No. 13).

Receive check from G. A. & C. L. Adkins for the 60-day bill of the 13th inst., less discount (No. 14).

Receive check from J. W. Bredin & Co. in settlement of bills of the 16th inst., less discount (No. 15).

Make deposit of all checks on hand.

The bank will charge you 20¢ exchange, 10¢ each on the Naperville and Aurora checks. In business, some houses will pay this exchange in cash and have the total deposit placed to their credit, while others will have the exchange deducted from their deposit and the remainder placed to their credit. Follow the latter method, make deductions on your deposit ticket, and have your teacher enter the correct amount in your pass book. Make entry on the credit side of your Cash Book for the exchange, charging Expense account.

Pay by check The American Sugar Refining Co.'s invoice of the 15th inst., less discount.

The bill being payable in "New York Funds," you must include in this check an amount equal to 1/10 of 1%, which members of the New York Clearing House Association charge for collecting the check. Exchange, \$.**

JANUARY 21

Receive order No. 23.

Pay the salaries in the usual manner.

Pay \$2 in currency for postage stamps.

Mr. Kennedy's traveling expenses for the week January 16 to 21 have been \$25.67.

JANUARY 23

Mr. Templeton has engaged Albert Simon as a general office assistant. His salary is to be \$8 per week. Make a memorandum of this.

Order No. 22 is turned in as being shipped

Receive order No. 24, sent in by mail.

JANUARY 24

Order No. 23 has been shipped.

Write a letter to The Diamond Match Co., 56 Michigan Ave., Chicago, ordering 50 cases Barber's 200's B. & C. matches.

Submit this letter to your teacher for criticism. When O. K.'d, file it in the Outgoing Papers envelope.

Receive an order sent in by mail and given the number 25.

JANUARY 25

Order No. 24 is turned in by the shipping clerk.

Remember that all mail orders, that is, all orders without prices given, must be supplied by you with prices from your price list. Be sure to use the correct list.

Receive an invoice for matches from The Diamond Match Co., ordered yesterday (No. 17).

JANUARY 26

The shipping clerk returns order No. 25 as being shipped.

Use prices from your price list.

JANUARY 27

Receive check from Benj. Tarnier in settlement of the 60-day bill of the 5th inst. (No. 16).

This is an out-of-town check, but it is not subject to exchange, owing to the fact that La Grange is located in the same county as Chicago, the county of Cook, and no exchange is charged in Chicago on checks drawn on banks in this county.

Deposit the check just received.

Receive order No. 26.

Receive a bill for advertising from The Grocers' Criterion Company (No. 18). Pay it by check. Charge Advertising account.

Receive an invoice of soaps from The N. K. Fairbank Co. (No. 19).

JANUARY 28

Order No. 26 has been shipped.

Receive order No. 27.

Although received from an out-of-town customer, this order is not a mail order, subject to variable prices. Mr. Helmer of the Tri City Grocery Co., on a visit in Chicago, gave the order and, being unknown to the House, asked that the goods be shipped C. O. D. Note the remarks at the bottom of the order blank.

Receive check from J. H. Walters & Bro. for the two 30-day bills of the 18th inst., less discount (No. 17).

Mr. Kennedy's traveling expenses for the week Jan. 23 to 28 have been \$23.85.

Receive an invoice for packing boxes from Rathborne, Hair & Ridgway Co. (No. 20).

Note that it is dated Jan. 2, and marked "Duplicate." This bill was rendered by request of Mr. Parker, whose attention had been called to the fact that no bill for boxes, received early in the month, was on file in the office. The original, if received at all, had been, undoubtedly, lost in the shipping room. Enter in Journal, as of January 2. Charge Box and Shipping account.

Pay the salaries in the accustomed manner.

JANUARY 30

Receive check from the Shaw Grocery Co. for bills of the 20th inst., less discount, but including exchange, \$.** (No. 18).

Deposit checks on hand. Pay exchange.

Follow instructions given when paying exchange January 20.

Draw a check for \$50, to be sent to Mr. Kennedy.

Receive orders No. 28 and No. 29.

Order No. 27 is turned in by the shipping clerk and with it a Bill of Lading.

Shipping goods C. O. D. by freight is a common transaction in a mercantile business. You will do well to note very carefully the procedure. Do not pass the transaction until you are perfectly familiar with it.

The order blank bears the notice: "Ship to order of Western Grocery House; notify Tri City Grocery Co." The shipping clerk has marked the cases so, and the commercial agent of the railroad company has, on presentation of the shipping receipt, issued a Bill of Lading. To prevent issuing a second B/L he has stamped upon the freight receipt, which he retains, the following: "Bill of Lading issued on this receipt."

Take the Bill of Lading from the Incoming Papers envelope. Endorse it "Western Grocery House, per (your name)." Draw a draft on the Tri City Grocery Co. for the amount of the bills, less discount, and make this draft payable to the order of the First National Bank, Clinton, Iowa. Write an appropriate letter to the bank and when approved by your teacher, mail this letter, and the draft and endorsed B/L pinned together, by filing them in the Outgoing Papers envelope. Send bills to the customer, regularly made out, but bearing the notation: "B/L at First National Bank."

The railroad company will not deliver the goods until the B/L, properly endorsed, is produced. The Tri City Grocery Co. must pay the draft at the bank and secure the B/L, with which to procure the goods.

Post the bills to C. O. D. account, using the explanation "Tri City Grocery Co." in the Items column. Enter the amount of the cash discount in the Cash Discount column on the debit side of the Cash Book and post it to C. O. D. account.

JANUARY 31

Receive bill for teaming from the Joseph Stockton Co. and pay it by check (No. 21).

Check up this bill as you did a previous teaming bill and O. K. it. 1/2 cases are counted as one piece.

The firm has been advised by The American Sugar Refining Co. that it is entitled to a credit of \$71.08, rebate on purchases of sugar during January.

Make entry in the Rebate and Returned Goods-Debit Book and supply proper explanation.

Orders No. 28 and No. 29 have been shipped.

Give Mr. Templeton, Mr. Parker and Mr. Kennedy credit for their respective salaries.

Make Journal entry, crediting their private accounts.

Pay Mr. Kennedy's salary by drawing a check for it.

Make out monthly statements.

Monthly statements should always be dated the last day of the month for which the statement is rendered, not the first day of the following month. Statements often bear the remark, "This is a statement of your account to date, etc.," which means *to* (including) the date of the statement, not *up to* (not including) that date. Therefore, date the statements to be made out January 31.

In making out the statements, first list the debits in the first, the Amount column, and extend the total in the second, the Total column. Then list the credits in the Amount column, extend the total in the Total column and subtract and enter the balance below this in the Total column. Leave a few lines between the debit and credit items and head the credit list "Credit" or "Cr."

Have your teacher approve these statements, then file them in the Outgoing Papers envelope.

Post the Invoice Book, the Journal, both Rebate and Returned Goods Books, and the Cash Book, closing also the latter. List the sales and foot and post the Sales Recapitulation Sheet.

Follow closely instructions given January 14.

Take trial balances of both the General Ledger and Sales Ledger.

Close your books, using the following

INVENTORIES

(Enter all inventories in red ink.)

Resource

Mdse.—value of goods on hand, freight paid, \$2895.63.

Interest—3 months' interest on Blair note, \$10.

Advertising—2/3 of bill of The Grocers' Criterion Co., \$21.67.

Box and Shipping—Boxes on hand costing \$12.50.

Expense—Unused stationery and office supplies, estimated value \$10.

Fixtures—Write off 5% for depreciation.

Liability

Salaries—Salaries earned by the office force and unpaid, 2 days, \$12.67.

Box and Shipping—Wages of the shipping clerk earned and unpaid, 2 days, \$3.33.

Mdse Inventory

It is a valuable exercise to take this inventory from the records.* List on a sheet of paper the quantities bought, taking them from the incoming invoices; on another sheet the quantities sold, from the order blanks, subtract the latter from the former and list the unsold goods, thus ascertained, on sheets of paper in the following manner:

*Optional.

INVENTORY, JANUARY, 1905

ARTICLES	QUANTITIES	PRICE FREIGHT PAID	AMOUNTS		TOTAL BY DEPTS.
<i>Department: Fancy Groceries.</i>					
Apples, 25¢ Fancy Evap.	1125 lbs.	.08	90		333 75
Peaches, 50¢ Muir.	2500 "	.07½	187 50		
Prunes, 50¢, 60/70 Calif.	500 "	.05½	27 50		
" 25¢, 70/80 "	575 "	.05	28 75		
<i>Department: Sundries.</i>					
Matches, Barber's, 200's B. & C.	49 cases	1.12½	55 13		
etc., etc.					

Take this inventory by departments, as shown above. For department classification see page 31. Add to the cost of the goods, as shown by the invoices, the cost of freight, if any, according to the following list of freight charges; also make proper deductions for rebates.

FREIGHT CHARGES

(To be added to invoice prices in figuring costs for inventories and for use of the profit clerk.)

No freight charges are added in figuring costs on articles bought freight prepaid.

ARTICLES	CENTS	PER
†Beans, 2¢ Pewaukee Lake String	1 69/100	doz. cans
Cheese, Swiss	13 3/5	100 lbs. net weight
" Young American	13 9/10	" " "
Cigars, Cremo and Francis Wilson	21 12/100	M
*Coffee	45/100	lb. net weight
†Corn, 2¢ Old Abe.	1 69/100	doz. cans
" 2¢ " "	3 15/100	" "
Olive Oil	28	case
Oysters, 1¢ Cove	12 15/100	"
†Peas, 2¢ Menu	1 69/100	doz. cans
†Pumpkins, 2¢ Menu	1 69/100	" "
Sardines, Messir 1/4's	33 3/5	case
Shrimp, 1¢ Dried	8 55/100	"
" 1 gal. Headless	26 77/100	"
" 2 gal. "	38 1/4	"
" 1¢ Pickled	12 15/100	"
" 2¢ " "	22 27/100	doz. cans
†Succotash, 2¢ Old Abe	1 69/100	" "
†Tomatoes, 2¢ Pewaukee Lake	1 69/100	" "
" 2¢ " "	3 15/100	" "
† " 3¢ " "	2 47/100	" "

*On shipment of Jan. 2 only. Shipment of Feb. 6 received freight paid; see explanation, when bill is received Feb. 13.

†Received in carload lots. All other articles are received in less than carload lots.

RESULTS FOR JANUARY

	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10
Cash	43.22	43.22	43.22	43.22	43.22	43.22	43.22	43.22	43.22	43.22
Accounts Receivable	2051.04	2045.07	2055.28	2041.87	2046.10	2044.30	2044.20	2048.14	2048.45	2046.53
Accounts Payable . . .	480.82	480.82	480.82	480.82	480.82	480.82	480.82	480.82	480.82	480.82
Herbert Templeton										
(Private)	132.30	129.32	134.42	127.72	129.83	128.93	128.88	130.85	131.01	130.05
Ray E. Parker										
(Private)	132.30	129.31	134.42	127.71	129.83	128.93	128.88	130.85	131.	130.04
Firm's Present Worth	5664.60	5658.63	5668.84	5655.43	5659.66	5657.86	5657.76	5661.70	5662.01	5660.09

Make out the following:

FINANCIAL STATEMENT JANUARY 31, 19—

<i>Resources</i>			
Cash		** **	
Notes Receivable		***	
Accounts Receivable		**** **	
Fixtures		*** **	
Mdse.		**** **	
Due from traveling salesman		** **	
Shipping boxes on hand		** **	
Unused stationery and office supplies		**	
Advertising paid in advance		** **	
Interest due the firm		**	**** **
<hr/>			
<i>Liabilities</i>			
Accounts Payable—			
The A. H. Andrews Co.	*** **		
Remington Typewriter Co.	*** **		
The N. K. Fairbank Co.	*** **		
The Diamond Match Co.	** **		
International Salt Co.	** **		
Rathborne, Hair & Ridgway Co.	**	*** **	
Less Credits.			
Biloxi Canning Co.	**		
The American Sugar Refining Co.	** **	*** **	
			*** **
Unpaid Salaries, Office	** **		
Shipping Clerk	* **	**	*** **
Firm's Present Worth			**** **

LOSS AND GAIN STATEMENT, JANUARY 31, 19—

<i>Gains</i>			
Mdse		*** **	
Cash Discount		** **	
			*** **
<i>Losses</i>			
Fixtures, depreciation on		** **	
Expense		*** **	
Salaries		*** **	
Traveling Expense		** **	
Advertising		** **	
Teaming		** **	
Box and Shipping		** **	
Interest		* **	*** **
Net Gain			** **
<hr/>			
Herbert Templeton, Investment		**** **	
" " Salary	***		
" " 1/2 Gain	** **		**** **
Ray E. Parker, Investment		**** **	
" " Salary	***		
" " 1/2 Gain	** **		**** **
Firm's Present Worth			**** **

Copy these statements neatly on a sheet of paper and, after they are approved by your teacher, file them in the Outgoing Papers envelope. In business this statement is retained by the proprietor or proprietors.

DEPARTMENTS

Before taking up the work of the succeeding month the student's attention is called to the unfilled columns on the left hand side of the order blank. The wholesale grocery business, and practically every other wholesale business, is, for convenience and other good reasons, divided into departments. Each department is in charge of a competent person. He is the buyer of all goods for his department, and being responsible to the management, he is anxious to have his department make a creditable showing as to profits, for upon this showing his own salary will largely depend.

In order to be able to show what each department makes in profits it must be ascertained, first, what the sales for each department are, and, second, what the cost, freight paid, is of the goods sold. The difference is the gross profit.

The number of departments into which a business should be divided depends on many things, chiefly on the magnitude of the business. In this set, the business is divided into eight departments, as follows:

- Fancy Groceries, including sardines, olive oil, dried fruits, etc.
- Sundries, including matches, soap, etc.
- Sugar.
- Coffee and Tea.
- Canned Goods, including all shrimp and oysters.
- Flour and Cereals.
- Cheese, Fish and Salt.
- Cigars and Tobacco.

THE PROFIT CLERK'S WORK.

One of the columns on the left hand side of the order blank above referred to is headed "Price" and the other "Amount." These columns are for the use of the profit clerk. He is furnished with the cost of each unit of the goods sold. This cost includes the cost of the unit when laid down in the store, freight paid.

Into the column "Price" he will enter the cost of the goods as found on the list furnished him by the House, and extend in the column "Amount" the total cost of each item sold.

He will then distribute these costs into the column headed "Cost" above it, into the proper departments. The total of this column must, of course, be exactly the same as the total of the lower "Amount" column.

Into the column headed "Sales" he will enter, by departments, the amounts in the 30 Days and 60 Days columns on the right hand side of the order blank. The total of this column must, of course, equal the total of the two columns from which the amounts were taken.

The student will now assume the duties of the profit clerk.*

First compile a "Profit Clerk's Price List" by listing all goods handled by the House in alphabetical order and affixing to them the cost prices plus any freight charges, according to the list of Freight Charges given on page 29.

Enter the cost of the goods sold in January in the lower "Cost" columns on the order blanks according to the "Profit Clerk's Price List" compiled by you. Be very accurate in your computations. Foot the columns.

Then distribute these cost amounts in the upper "Cost" column, by departments. Be sure to enter the amounts in the departments in which they belong. Foot the

*This work is optional, but should be done by the student, as it gives invaluable drill in figuring.

columns. Note that sardines, although they are marketed in cans, are not classed as "Canned Goods" but as "Fancy Groceries." In figuring cost on order No. 24, bear in mind that of the 8 boxes of matches sold, 7 were bought at \$1.15, and one at \$1.12½.

Lastly distribute the sales from the 30 Days and 60 Days columns into their proper departments in the "Sales" columns at the top to the left and foot the columns.

Now turn to your Department Costs Register (Blank Book No. 1, page 22) and enter the amounts in the "Cost" columns on the order blanks in the proper department columns, and the footings in the Total column. Foot all columns and make sure that the sum of the department columns equals the sum of the Total column.

You now have by departments the costs of goods sold. This is not true, however, of the "Sugar" and "Canned Goods" departments, for a rebate of 10% was allowed the House on the sugar bill and a rebate of 10¢ per can on the 1 gal. headless shrimp. The cost of sugar having been 10% less than the amount shown by the Sugar column, you will now enter in red ink an amount equal to 10% of the sugar sold, in this column. Ascertain also the number of cans of 1 gal. headless shrimp sold, and enter also in red ink the amount of these at 10¢ per can. Extend the total of these deductions in the "Total" column, in red ink, subtract, foot again all columns and rule up properly.

Next enter the amounts found in the "Sales" columns at the top of the order blanks and distribute them in the proper columns of the Department Sales Register (page 20 of Blank Book No. 1). Foot the columns and enter, in red ink, in the "Canned Goods" column and also in the "Total" column, the amount of rebates allowed customers during the month, foot the columns again and rule up properly. The amount now shown in the "Total" column must exactly agree with the balance of Mdse Sales account in the General Ledger; before closing, of course.

Now enter upon the first line of the Department Profits Register (page 24 of Blank Book No. 1) the footings of the Department Sales Register, and upon the second line the footings of the Department Costs Register, and subtract the latter from the former, entering the differences on the line below. These differences are the profits of the departments. Rule up properly. In the Order No. column make proper explanations, such as "Sales," "Cost of Goods Sold," "Profit."

Turning to Mdse (Trading) account in the General Ledger, you will find the amount closed into Loss and Gain account (the profit made), to agree with the total of the "Total" column in the Department Profits Register, except for an amount of 82¢. This difference is occasioned by computing freights and tares.

INVENTORY BY ACCOUNTING

Having previously taken an inventory by stock, it is now desired to verify this inventory by a method of accounting.

Enter in the Department Purchases Register (Page 19 of Blank Book No. 1) the invoices of goods bought, placing each purchase in its proper column. Enter also in these columns the freights paid on such purchases, if any, using *one* line only for both. Foot the columns, enter rebates and allowances, in red ink, subtract, foot again all columns and rule up properly. The total in the "Total" column must, of course, agree exactly with the balance of Mdse Purchases account in the General Ledger before closing.

Now rule upon the 15th line of page 24 in Blank Book No. 1 two heavy black lines to separate that which is to follow from the figures of the Department Profits Register above. On the 17th line rule double red lines and on the line between the black and red rulings write "Inventories," as a heading.

On the line following the double red ruling enter now the footings of the Department Purchases Register and on the line below that, the footings of the Department Costs Register. Rule, subtract and enter the differences on the next line below, which is the inventory by departments. On the next line below enter the amounts of inventory previously taken by stock and enter any difference in red ink on the line below this. Rule up properly and make proper explanations in the column to the left of the department columns.

The sum of the differences, which are 1¢ in the "Sundries" column, 78¢ in the "Coffee & Tea" column, and 3¢ in the "Canned Goods" column, you will find to agree exactly with the difference in the profits on merchandise shown by the Department Profits Register and the Loss and Gain account, *viz.*, 82¢.

Submit your entire work to your teacher for approval.

TRANSACTIONS FOR FEBRUARY

FEBRUARY 1

Have you been following conscientiously instructions as to verifying and checking all incoming bills during January? Have you found them to be all correct? Have you, if so found, placed your initials below the O. K. of those of Mr. Parker or Mr. Templeton, thus certifying to their correctness? Have you always taken receipts when making payments for bills which could not be sent with your remittance by reason of their being pasted in the Invoice Book, or for other payments? Remember that you are to make out these receipts and have them signed by your teacher, representing the various parties. Have you had all other bills properly receipted? Have you filed all papers properly, so that, if certain papers were wanted, you could produce them instantly? Did you check up properly the bills for teaming and O. K. them? Have you always examined the order blanks as to Mr. Templeton's O. K. before passing them to the shipping clerk?

In order to meet all obligations promptly, the partners have decided to discount the Blair note. The bank will take it at 6%. Discount it.

Follow instructions given when discounting the Erskine note on the 12th ult. Note that this note bears interest. Make proper entry for it in the Cash Book.

Pay by check the invoice of the International Salt Co., of Jan. 12.

Pay also by check the bill of The A. H. Andrews Co., of the 3d ult.

The stock and fixtures having been insured, receive and pay by check the bill of Geo. S. Haskell for the premium.

Take the insurance policy from your outfit and read it carefully. When thoroughly understood file it in the Outgoing Papers envelope. Then detach bill No. 22 from your pad, have it receipted and file it in the Paid Invoices pocket. Draw the check in favor of Geo. S. Haskell, the agent, who will settle with the company. File the check as usual.

Draw a check for \$50.00 in favor of Ray E. Parker and another for \$60.00 in favor of Herbert Templeton.

Being drawn on account of their salaries, charge these withdrawals to their private accounts.

Pay by check the rent for February.

Receive invoice of oysters from the Biocxi Canning Co. (No. 23).

Note that the bill is dated January 25th. It is to be entered and posted as of that date. Follow instructions given on page 13 for entering and posting such bills.

Receive an expense bill from the Chicago & Eastern Illinois Railway Company for freight on the shipment of oysters, and pay the same by check (No. 4).

The bank having returned the paid checks for the month of January, assort them now in numerical order and place them in the Outgoing Papers envelope.

In business, paid and canceled checks are returned by the bank to their customers at the end of every month, or at any time during the month on request. When returned there are usually some checks "out," that is, checks sent to various parties, especially such checks as are drawn during the last few days of the month, have not yet reached the bank. The bank balance, as shown by a statement accompanying the returned checks, will therefore show a greater balance than the check book. The difference in the balances must exactly equal the aggregate amounts of the checks "out."

FEBRUARY 2

Receive orders No. 30 and No. 31, both having been sent in by mail and copied on regular blanks.

Receive bank draft from Hamlin & Walker for the 30-day bill of January 23, less discount (No. 19).

FEBRUARY 3

Orders No. 30 and No. 31 have been shipped.

Receive order No. 32, sent in by Mr. Kennedy.

Three boxes of Santa Claus soap, purchased of The N. K. Fairbank Company on the 27th ult., are found to be defective and are returned to them for credit.

The N. K. Fairbank Company will issue a credit memorandum on receipt of the goods, but, instead of waiting for this, make out a bill as if these goods had been sold to the Fairbank Company. It is customary with many Houses to "bill back" goods returned. This is, of course, no sale, and will not be treated as such. It is to be entered in the Rebate and Returned Goods-Debit Book in the usual manner.

Receive check from J. H. Walters & Bro. in settlement of bills of January 24, less discount (No. 20).

Pay \$5.00 in currency for postage stamps.

Pay by check the bill of the Remington Typewriter Company of January 3.

Pay by check the invoice of the Biloxi Canning Co. of the 25th ult., less rebate of Jan. 18 and less discount.

The rebate on the headless shrimp was 10¢ per can, reducing the price per can to 40¢. When paying the invoice of the Biloxi Canning Co. on Jan. 13, the firm, however, took discount on the original price of 50¢. This was perfectly proper at the time the invoice was paid, but it is now (since a rebate was allowed), wrong to the extent of the allowance. The discount taken you must now return by not taking such on an amount equal to that of the rebate; in other words, the rebate is to be first deducted from the invoice to be paid now, and then discount is to be taken on the difference.

FEBRUARY 4

Receive two invoices from The American Tobacco Company (No. 24 and No. 25).

Note that bill No. 24 is "F. O. B. New York," while bill No. 25 is "Freight Paid." Both lots were shipped together and the freight, properly proportioned to the one sold f. o. b. New York, is charged in this bill. This freight is to be charged to In-Freight account and only the amount of merchandise is extended in the column in the Invoice Book, while entry for the freight is to be made through the Journal.

Note also the dates of these invoices and follow instructions previously given as to entering and posting such invoices.

Again the bank balance is quite low and some large bills are about to mature. Mr. Templeton and Mr. Parker have conferred together in reference to what is best to do. The credit of the firm must be maintained. The House has done a good business so far and has fine prospects. Everything, however, depends on keeping its credit good and on being able to discount its bills. It is possible that the volume of business being done is too large for the capital invested.

Mr. Templeton states that he has no ready money to add to his investment. Mr. Parker offers to invest \$1000.00 more and Mr. Templeton is willing that he should. Receive, therefore, his check (No. 21). But the addition of this capital will still leave the firm unable to meet all its bills. Of the accounts receivable only one 30-day bill of a small amount will mature within the next few days, and consequently the firm cannot depend on any funds from that source.

Mr. Templeton has, however, approached the bank for a loan of \$1500.00, and the bank asks for a financial statement.

Take the bank statement from the Incoming Papers envelope. Read and study it carefully. Make the report out, first on a sheet of paper, taking the required amounts from the Financial Statement of January 31, and have it approved by your teacher. Then copy it on the bank form; date this February 1, sign it properly, and use Feb. 4 as the date signed. Deliver this to the bank* by filing it in the Bank pocket.

The financial statement being satisfactory, the bank offers to lend the firm the amount desired for 30 days at 5% interest.

Now take from your outfit a promissory note blank, fill it out properly, and sign it in the same manner as you sign the checks. Deliver it by filing it in the Bank pocket.* It is customary with banks to take interest on notes in advance. Figure the interest, and have your teacher enter the proceeds in your pass book. Enter the amount also in your check book as "Loan."

Make proper Cash Book entries for the investment by Mr. Parker, the bank loan and the interest. The latter require contra entries. When posting, post the loan to Loan account.

Make deposit of checks and draft on hand.

Although the shipment of tobaccos and cigars has not yet arrived, the bill for them must be paid in due time in order to save the discount. Pay it today by check.

The check will arrive in New York on Monday, Feb. 6 and, although apparently a day late, it is not so, the 5th being Sunday. Include in your check 1/10 of 1% for exchange, \$*.

Receive order No. 33.

Order No. 32 has been shipped.

Receive an invoice of cheese from the Sheboygan Cheese Co. (No. 26).

Enter as of the date of the invoice. Follow this rule always.

Receive an expense bill from the Goodrich Transportation Co. for freight on the shipment of cheese, and pay it by check (No. 5).

Pay the salaries.

Mr. Kennedy reports his expenses for the week January 31 to February 4 to have been \$19.26.

Pay by check the bill of The Diamond Match Co. of the 25th ult.

This bill is due to-day, and if sent by the office assistant, will reach them in due time

Prove your cash.

Foot the columns in small pencil figures, ascertain the difference between the two sides of the Cash Book and compare with your check book balance and the cash on hand. Do *not* close the Cash Book.

FEBRUARY 6

J. H. Walters & Bro. return six bags of Best O. G. Java Coffee sold them on the 18th ult. The weights of the bags are as follows: 134, 133, 132 1/2, 134, 133, 132 lbs.

Make proper entry and send credit memorandum. Be sure to deduct tare, which in coffees is always 1% of every full 100 lbs.

Order No. 33 is shipped.

*If you have a bank, deliver it there, if directed so by your teacher.

Pay by check the bill of The N. K. Fairbank Company of the 27th ult., less credit and less discount.

This is a city House, and a check, if sent promptly, will reach them in due time.

Mr. Parker advises you that the tobaccos and cigars have arrived and are O. K. as to quantities and prices. He asks you to O. K. the bills for him.

Do this in a proper manner.

Receive orders No. 34 and No. 35, the latter having been received by mail.

J. W. Chaffee & Co. ask for duplicate bills of their purchases of January 16. Comply with their request.

Make out these bills, taking the data from the order blanks. Mark the bills "Duplicate."

Receive a Chicago bank draft for returns on the C. O. D. shipment on the 30th ult., less 15¢ collection fee (No. 22).

Enter the full amount of the account on the debit side of the Cash Book and 15¢ on the credit side of the Cash Book, charging Expense account.

FEBRUARY 7

The shipping clerk turns in order No. 35.

Receive a bill from the Chicago Telephone Company for telephone service for one quarter in advance, the instrument having been installed Feb. 1 (No. 27). Pay it by check. Charge Expense account.

Receive a check from J. W. Bredin & Co. in settlement of invoice of Jan. 28, less discount (No. 23).

Order No. 34 has been shipped.

Place this order in the binder in proper numerical order.

Receive orders No. 36 and No. 37, the former sent in by Mr. Kennedy.

Mr. Templeton informs you that he has had a conference with Mr. Tarner concerning his account. Mr. Tarner is willing to give his note with C. E. Blank, whom Mr. Templeton knows to be responsible, as surety. The note is *not* to include his last order. It is to be dated Feb. 10 and due in 40 days, with interest at 5%.

Draw the note and submit it to your teacher for signatures. Make entries in the Journal and Bill Book, dating the entries as of the date of the note, and place the note in the Cash Drawer. Remember that the credit entry must be posted twice.

FEBRUARY 8

Order No. 37 is shipped.

Receive a bill for shipping boxes from Rathborne, Hair & Ridgway Co. (No. 28).

FEBRUARY 9

The shipping clerk returns order No. 36 as shipped.

Place this order in the binder in correct numerical order.

Draw a check for \$15.00 in favor of Mr. Parker and charge to his private account.

FEBRUARY 10

Receive orders No. 38, No. 39 and No. 40.

Note that the coffee ordered in order No. 40 is to be roasted. The order cannot be shipped until the roasting is done.

Receive check from the L. E. Megan Grocery Co. in payment of bills of January 31, less discount (No. 24).

Pay by check the bill of the Sheboygan Cheese Co., of the 1st inst.
Chicago paper is current in Sheboygan; therefore no exchange is to be included in the check.

FEBRUARY 11

Orders No. 38 and No. 39 have been shipped.

Pay the salaries.

Mr. Kennedy's traveling expenses have been \$17.88 for the week February 6 to 11.

Draw a check for \$50.00, to be sent to Mr. Kennedy for traveling expenses.

Receive a check from G. A. & C. L. Adkins in settlement of the 30-day bill of Jan. 13.

Make a deposit.

FEBRUARY 13

Receive an invoice of coffee from Westfeldt Bros. (No. 29). By its terms, if it is desired to take advantage of the cash discount, it must be paid at once. Do so by check, and include 1/10 of 1% for exchange, \$.**

Note that this shipment was sent freight paid. The original order for coffee was for 50 bags of Fancy Santos, but only 30 were sent in the shipment of Jan. 2, and Westfeldt Bros. agreed to pay the freight on the so-called "back order," as is often done in such cases.

Order No. 40 has been shipped.

In roasting, coffee shrinks about 15%, but the coffee is to be billed at the green weight and 30¢ a bag for the cost of roasting is to be added.

FEBRUARY 14

Receive order No. 41, sent in by Mr. Kennedy.

Mr. Templeton wishes to draw \$25.00 on his private account. Pay him by check.

Receive a bank draft from J. W. Chaffee & Co., for bills of the 4th inst., less discount, also for the 30-day bill of Jan. 16, and the balance to apply on the 60-day bill of Jan. 16 (No. 26).

When a debtor, owing several bills, remits and in doing so specifies that his remittance is to be applied on a certain bill or bills, his instructions must be followed. Check the bills paid out of the account.

In case a remittance includes bills of different dates it is advisable to make separate Cash Book entries and separate postings, for this will facilitate checking out the bills.

FEBRUARY 15

Order No. 41 has been shipped.

Receive order No. 42, sent in by the traveling salesman.

Note that this order calls for a cereal which the firm does not carry in stock. This is what is called in the trade a "pick-up" order.

Write a letter to The American Cereal Company, 1600 Railway Exchange Building, Chicago, ordering the goods called for in order No. 42 and which are not carried in stock.

Submit this letter to your teacher for criticism.

Receive a check from L. M. Wetzel for the 60-day bill of the 16th ult., less rebate and plus exchange (No. 27).

FEBRUARY 16

Receive an invoice from The American Cereal Company for merchandise ordered yesterday (No. 30).

Note that Quaker Oats are billed to the House at the same price at which Mr. Kennedy sold them to the customer and that the terms and discount are the same to the firm as the firm gives the customer.

Cereals are very generally sold by the manufacturers to the jobbers and by the jobbers to the retailers at what is called a list price. The jobber settles bills as rendered him, and at stated periods the manu-

facturer accounts to him for his commission on the goods bought. The probable object of this plan is to maintain uniform prices.

There are several other lines handled by the jobbers in groceries in which this plan is used in part; that is, in addition to a price given, there is a rebate allowed at stated periods.

The shipping clerk turns in order No. 42.

Receive a check from J. H. Walters & Bro. in settlement of the 60-day bill of Feb. 6, less discount (No. 28).

FEBRUARY 17

Receive order No. 43, sent in by mail.

Receive a check from the W. H. Callow Grocery Co. for the 30-day bill of Jan. 17, and the balance to apply on the 60-day bill of the same date (No. 29). 10¢ exchange is added.

Note instructions given when receiving check No. 26.

Receive a check from J. W. Bredin & Co. in payment of bills of the 7th inst., less discount (No. 30).

FEBRUARY 18

Order No. 43 has been shipped.

Mr. Kennedy's expenses for the week February 13 to 18 have been \$22.55.

Receive check from C. E. Brooks & Bro. for bills of the 8th inst., less discount (No. 31).

Pay the salaries.

Make deposit; pay exchange.

Exchange to be paid to the bank equals the amount of exchange received. Follow instructions given Jan. 20th as to making Cash Book and Check Book entries.

Pay \$2.00 in currency for postage stamps.

Pay 45¢ in currency for miscellaneous office supplies.

Prove your cash.

FEBRUARY 20

Receive an invoice of teas from John C. Siegfried & Co. (No. 31).

Note the terms, which are unusual, also the peculiar form of the bill.

Receive a bill for teaming from the Joseph Stockton Co. and pay it by check (No. 32).

Barrels of salt, in sacks, are counted as bbl. Swiss cheese is counted as one piece, and both kinds of cigars are put up in one package.

FEBRUARY 21

Receive order No. 44.

Receive a check from G. A. & C. L. Adkins for a 30-day bill and the 60-day bill of Feb. 11, less discount (No. 32).

FEBRUARY 23

Order No. 44 has been shipped.

Since the sale of tea is an infrequent occurrence, no special column for 4-mo. items has been provided on the order blank. 4-mo. items are extended in the margin to the right of the 60 Days column. Remember that this order requires three bills and three postings; also remember that tea is sold at 4% cash in 10 days.

Receive check from the L. E. Megan Grocery Co. for bills of the 13th inst., less discount (No. 33).

Receive order No. 45.

Since the financial responsibility of the parties ordering is unknown to the firm, the shipment is to be made C. O. D. While it is a mail order, prices are not to be supplied from the variable list, they having been agreed upon by correspondence.

FEBRUARY 24

Receive an invoice from Francis H. Leggett & Co., for sardines and olive oil (No. 33)

Receive an expense bill from the Lake Shore & Michigan Southern Railway Co. for freight on the shipment from Francis H. Leggett & Co. (No. 6). Pay it by check.

Receive order No. 46, sent in by the traveling salesman.

Order No. 45 is shipped.

Follow instructions given when C. O. D. shipment was made Jan. 30. Draw, in this case, through the Farmers State Bank, Janesville, Wis.

Five cases of Barber's 200's B. & C. Matches are found to be defective and are being returned to The Diamond Match Company.

Bill these goods back to the creditor. See instructions Feb. 3. Write a letter to the company to accompany this bill. Submit it to your teacher for criticism.

FEBRUARY 25

Order No. 46 has been shipped.

Draw a check for \$50.00 in favor of Mr. Kennedy, to be sent to him for traveling expenses.

Receive a check from the Shaw Grocery Co. for the 60-day bill of the 15th inst., less discount, but including exchange (No. 34).

Pay by check the invoice of The American Cereal Co. of the 16th inst., less discount.

Make a deposit; pay exchange

Pay the salaries.

Receive orders No. 47, No. 48 and No. 49, the first having been received by mail.

The traveling man's expenses for the week February 20 to 25 have been \$17.95.

FEBRUARY 27

W. H. Callow Grocery Co. write that they think they overstocked themselves with sardines, and are returning, transportation paid, 4 cases of them, purchased on the 25th inst.

Make usual entry and send credit memorandum.

The shipping clerk returns orders No. 47, No. 48 and No. 49.

Remember instructions given with reference to 4-mo. items.

Examining the accounts receivable, you find that the following bills are past due:

G. A. & C. L. Adkins, 30-day bill of Jan. 5, \$34.13.

L. M. Wetzel, 30-day bill of Jan. 16, \$70.85.

L. M. Wetzel, 30-day bill of Jan. 25, †V\$***.**.

Draw drafts on these customers at three days' sight through the Oak Park Trust and Savings Bank, Oak Park, Ill., and the First National Bank, Batavia, Ill., respectively, for the amounts past due.

The drawing of drafts on delinquent debtors is usually the first step taken in the collection of accounts. One or more "dunning" letters may or may not have preceded the drawing of a draft. Drafts may be drawn in favor of the bank with which a firm does its banking, in which case the draft is forwarded by this bank to some bank in the debtor's town, or it may be sent direct to a bank in the city or town in which the drawee resides. The latter is the method now most generally pursued.

The collection bank will notify the drawee or present the draft, and if paid, will remit the amount of the draft less a small collection fee. If the draft is not paid it will be returned, usually with a notation stating the reasons for non-payment, if any be given.

†This amount varies according to the price list given you.

Draw these drafts in proper manner on blanks to be found in your outfit. Write appropriate letters to accompany the drafts. Submit drafts and letters to your teacher for criticism, after which file both in the Outgoing Papers envelope.

Make no entry of these drafts upon your books until the drafts are collected, but keep a record of such drawings on a sheet of paper.

FEBRUARY 28

Receive a credit memorandum from The American Cereal Company, for rebate (commission) on cereals bought in February (No. 34).

Receive a bill for teaming from the Joseph Stockton Co., and pay it by check (No. 35).

Credit Mr. Templeton, Mr. Parker and Mr. Kennedy each for his salary.

Post your books. Close your Cash Book. List and post the sales.

Make out monthly statements.

Date these February 28, not March 1. List any balances carried over from January in the Total column.

Take trial balances.

Take an inventory of merchandise on hand, by departments, and compare with amount given below.*

Close your books, using the following:

INVENTORIES

Resource

Mdse.—Value of goods on hand, freight paid, \$5095.16.

Interest—Interest to date on Turner note, V\$..

Advertising—1/3 of bill for advertising, \$**.*4.

***Box and Shipping—Shipping boxes, costing \$11.60.

Expense—Unused office supplies, \$5.00, 2/3 of telephone bill, \$**.

Fixtures—Write off 5% for depreciation.

Insurance—Eleven months' premium paid, \$**.

Liability

Salaries—Salaries earned by the office force and unpaid, *days, \$**.**

Box and Shipping—Wages earned by the shipping clerk and unpaid, *days, \$**.**

Compile, in a proper manner, a Financial Statement and a Loss and Gain Statement, using the forms shown January 31.

Figure the profits of the business by departments.

Refer to "The Profit Clerk's Work" on page 31, and figure and enter the Department Sales, the Department Costs, freight paid, the Department Purchases, freight paid, the Department Profits and the Inventory by accounting. Make proper deductions for rebates and goods returned, the latter at cost or selling prices.

To ascertain the February inventory by accounting, add to the January inventory *by stock*, brought down below a double ruling, the cost of the goods bought during February, and subtract from this the cost of the goods sold.

There is, again, this month a slight difference between the profits shown by the Department Profits Register and the profits shown by the Loss and Gain account, occasioned by tares and freights. The difference in the inventory by stock and the inventory by accounting must exactly equal the difference in the profits as shown by the Loss and Gain account and the Department Profits Register.

*Optional.

**The letter V preceding the dollar mark indicates that the amount varies according to the price list given you.

***After closing Box and Shipping account and having brought the balances down, open a new Box and Shipping account on page 10, line 25, and bring the balances forward, making proper forwarding entries.

COST OF DOING BUSINESS

Your employers think that having done business for two months it would be valuable to ascertain what it has cost them to do business, that is, what *per cent* of the cost of the goods sold is required to pay the expenses of doing business. They need this, they say, as a basis in fixing their margins of profit, or rather in fixing the selling prices. It is true that this cannot be the only criterion, for supply, demand and competition cannot be eliminated in any case. On some articles, as you have doubtlessly noticed, the margin of profit is small, but on others it is comparatively large. The general average of these profits must exceed the cost of doing business, or there is no net return for risk, efforts and use of capital.

Consult your Financial Statements for January and February. The total of the several expense items, as shown by these statements, is \$****.**. The gains, not considering the gains on merchandise, are \$**.**. To the difference between these two add interest at 6% on the capital invested, also 1% of the sales for the two months for bad debts. The firm has not been in business long enough to know how much should be allowed for such contingency, but something should unquestionably be allowed for it.

Ascertain the total cost of the goods sold from your Department Costs Register and what per cent the expenses of the business are of the cost of the goods sold. Also ascertain what per cent the expenses are of the net sales. Use even per cent. Submit your figures in a neat statement to your teacher for approval.

Have your entire work inspected and approved by your teacher.

RESULTS FOR FEBRUARY

	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10
Cash	1007.50	1007.50	1007.50	1007.50	1007.50	1007.50	1007.50	1007.50	1007.50	1007.50
Notes Receivable ..	374.41	369.97	377.18	366.07	369.50	367.17	367.72	370.76	372.40	369.69
Accounts Receivable	3981.93	3960.62	3993.82	3974.81	3974.62	3972.44	3974.31	3982.26	3980.22	3963.40
Accounts Payable ..	2280.15	2280.15	2280.15	2280.15	2280.15	2280.15	2280.15	2280.15	2280.15	2280.15
Herbert Templeton (Private)	288.60	275.72	295.93	280.86	282.48	280.23	281.44	286.94	286.74	276.97
Ray E. Parker (Private)	308.60	295.71	315.93	300.86	302.48	300.22	301.43	306.93	306.73	296.96
Firm's Present Worth	6997.20	6971.43	7011.86	6981.72	6984.96	6980.45	6982.87	6993.87	6993.47	6973.93

TRANSACTIONS FOR MARCH

MARCH 1

Pay by check the rent for March.

Mr. Kennedy requests money for traveling expenses. Draw a check for the usual amount, less the balance of his account, \$**.**, to be sent to him.

Receive the canceled checks returned by the bank, assort them in proper numerical order, and file them.

Receive order No. 50.

Write to The American Cereal Co., ordering 15 cases of the pick-up goods contained in order No. 50.

By agreement of the partners, Mr. Templeton adds \$1000.00 to his investment. Receive his personal check (No. 35).

Make deposit of check just received.

Receive orders No. 51 and No. 52, sent in by Mr. Kennedy.

Pay by check the bill of Francis H. Leggett & Co. of the 21st ult., less discount. Add 1/10 of 1% for exchange.

MARCH 2

Receive an invoice from The American Cereal Co. for cereals ordered yesterday (No. 36).

Mr. Templeton having made arrangements with the bank for discounting the Turner note at 5%, you are instructed to discount it.

Follow instructions given when discounting the Blair and Erskine notes.

Receive a check from J. W. Bredin & Co. for the 4-mo. and 60-day bills of the 23d ult., less discount (No. 36).

Orders No. 50 and No. 52 have been shipped.

Receive a bank draft from the Farmers State Bank, Janesville, Wis., for the C. O. D. shipment of Feb. 24, less 15¢ collection fee (No. 37).

Make deposit.

Pay by check the invoice of John C. Siegfried & Co. of Feb. 20, less discount.

This payment is due today and the check is sent by messenger.

Receive order No. 53, sent in by the traveling salesman.

MARCH 3

Orders No. 51 and No. 53 have been returned by the shipping clerk.

Be sure to place them in the binder in proper numerical order.

Receive orders No. 54 and No. 55.

Receive an invoice of cigars from The American Tobacco Company (No. 37).

Remember that the freight contained in this bill necessitates a Journal entry.

MARCH 4

Pay by check the account of Rathborne, Hair & Ridgway Co.

Receive a check from the W. H. Callow Grocery Co. in payment of bills of Feb. 25, less credit and less discount. Exchange added \$.** (No. 38).

Order No. 55 is shipped.

Pay the salaries.

Make deposit; pay exchange.

Mr. Kennedy's expenses for the week February 27 to March 4 have been \$22.60.

MARCH 6

The bank having agreed to renew the firm's note for 30 days, you are instructed to give this matter your attention. Pay the interest in advance by check.

Write a new note. Cancel the old note by making renewal notation on it and filing it in the Outgoing Papers envelope. Make Journal entry for this transaction.

Receive order No. 56.

Order No. 54 has been shipped.

Place in the binder in proper order.

The draft drawn on L. M. Wetzel is returned by the Batavia Bank, unpaid.

Write a letter to the debtor, calling his attention to this fact and asking for explanation, etc. Submit this letter to your teacher for criticism.

MARCH 7

Receive an invoice of soaps from The N. K. Fairbank Company (No. 38).

Receive a check from J. H. Walters & Bro. in settlement of the following: 60-day

and 4-mo. bills of Feb. 27, less discount, 30-day bill of Feb. 6 and the balance of the bill of Jan. 18 (No. 39).

Make one Cash Book entry for the first two and separate entries for the other bills.

Receive from G. A. & C. L. Adkins a check in payment of the 30-day bill of Feb. 27, less discount, and the balance of bills of Jan. 5 (No. 40).

Separate Cash Book entries.

MARCH 8

Order No. 56 has been shipped.

Receive an invoice of dried fruits from The J. K. Armsby Co. (No. 39).

The draft on G. A. & C. L. Adkins is returned by the Oak Park Trust & Savings Bank, unpaid.

The draft bears the notation "Has sent check," and since the check has been received, nothing further is to be done.

MARCH 9

Pay for postage stamps \$5 in currency.

The partners deem it advisable to settle the invoice of The N. K. Fairbank Company of the 7th inst. and the invoice of The American Tobacco Company of the 28th ult. by note. The freight added into the latter is to be paid in cash. The creditors have agreed to accept the notes at 30 and 60 days respectively, without interest.

Draw these notes on blanks found in your outfit. Date them as of the date of the invoices, make the note in favor of The N. K. Fairbank Company for 30 days and the note in favor of The American Tobacco Company for 60 days, and sign them properly. Make Journal and Bill Book entries. Pay the freight by check and add 10¢ to the check for exchange.

Receive order No. 57.

Receive an invoice of flour from the Pillsbury-Washburn Flour Mills Co., Limited (No. 40).

MARCH 10

Receive an order sent in by mail and copied on order blank No. 58.

Pay the account of The American Cereal Company in full, by check, deducting the discount to which the House is entitled.

Unlike previous items, the amount of rebate is not to be subtracted from the bill before figuring the discount, the rebate, in this case, being purely an item of commission.

Receive an invoice of matches from The Diamond Match Co. (No. 41).

MARCH 11

Order No. 57 has been shipped.

Mr. Kennedy reports his expenses for the week March 6 to 11 to be \$19.78.

Pay the salaries.

Receive from the Armstrong Grocery Co. check in full of account, including 14¢ exchange (No. 41).

Receive check for the 60-day bill of Jan. 12 from C. E. Brooks & Bro. (No. 42).

Make deposit; pay exchange.

Prove your cash.

MARCH 13

The shipping clerk turns in order No. 58.

Receive order No. 59.

Receive a check from J. W. Bredin & Co. in settlement of the 60-day and 4-mo. bills of the 2d inst., less discount (No. 43).

These bills were due yesterday, but it being Sunday, the discount is to be allowed.

Pay by check the invoice of The J. K. Armsby Co. of the 8th inst., less discount.

MARCH 14

Order No. 59 has been shipped.

Receive a check from B. G. Clarke in settlement of the 30-day and 4-mo. bills of March 4, less discount (No. 44).

MARCH 15

Receive order No. 60, sent in by Mr. Kennedy.

Receive a check from the L. E. Megan Grocery Co. for the 30-day bill of March 6, less discount (No. 45).

Draw a check for \$50.00 in favor of Mr. Kennedy for traveling expenses.

MARCH 16

Receive from J. W. Chaffee & Co. a bank draft in payment of the 30-day bill of Feb. 16; also for the balance of the 60-day bill of Jan. 16 (No. 46).

Make separate Cash Book entries.

MARCH 17

Order No. 60 has been shipped.

Receive from the Shaw Grocery Co. a check in full of account, plus 10¢ exchange (No. 47).

Receive and pay by check the bill of the Joseph Stockton Co. for teaming (No. 42).

Note that several M of cigars are wrapped up in, and counted as, one package.

MARCH 18

Receive order No. 61.

Mr. Kennedy's traveling expenses for the week March 13 to 18 have been \$17.24.

Pay the salaries.

Receive a check from the W. H. Callow Grocery Co. for the balance of the 60-day bill of Jan. 17, with exchange added, \$.** (No. 48).

Receive from J. H. Walters & Bro. a check in settlement of the 30-day bill of Feb. 27 (No. 49).

Make deposit; pay exchange.

Prove your cash.

Pay by check the invoice of the Pillsbury-Washburn Flour Mills Co., Limited, of the 9th inst., less discount.

MARCH 20

Order No. 61 is turned in by the shipping clerk.

Pay by check The Diamond Match Co.'s bill of the 10th inst., less returns and less discount.

MARCH 22

Receive order No. 62, taken from Mr. Shaw of the Shaw Grocery Co., who called.

Order No. 62 is turned in by the shipping clerk.

MARCH 23

Receive an invoice of salt from the International Salt Co. (No. 43).

MARCH 24

Receive order No. 63.

The 60-day bill of Jan. 20 and the 30-day bill of Feb. 3 against L. S. Terrell & Co. are past due. Write them a mild "dunning" letter.

Compile a list of all bills past due, if any.

Submit the letter and list of bills past due to your teacher for criticism.

Receive a bank draft from Hamlin & Walker for the 60-day bill of Jan. 23 (No. 50)

MARCH 25

Order No. 63 has been shipped.

Mr. Kennedy's traveling expenses for the week Mar. 20 to 25 have been \$21.40.

Pay the salaries.

Receive a check from J. W. Bredin & Co. for the 30-day bill of Feb. 23 (No. 51).

MARCH 28

Receive an invoice from The Waukesha Canning Co. for canned goods (No. 44).

Note the date.

Receive and pay by check the expense bill of the Wisconsin Central Railway Co. for freight on the canned goods just received (No. 7).

J. W. Bredin & Co. return for credit 2 M Cremo cigars, bought on the 25th inst.

MARCH 29

Receive a check from J. H. Walters & Bro. in settlement of the 30-day bill of March 11 (No. 52).

MARCH 30

A. M. Royce Grocery Co. return the 5 cs. olive oil, purchased on the 2d inst.

MARCH 31

Receive and pay the bill for teaming from the Joseph Stockton Co. (No. 45).

Receive a credit memorandum from The American Cereal Co. (No. 46).

Make deposit.

Make entries for the salaries of Mr. Templeton, Mr. Parker and Mr. Kennedy.

Post your books. Close your Cash Book.

Make out monthly statements.

Take trial balances.

Take an inventory of merchandise, by departments, and compare with the amount given below.*

Close your books, using the following:

INVENTORIES*Resource*

Mdse.—Value of goods on hand, freight paid, \$4220.13.

Expense—1/3 of telephone bill, \$*.

Box and Shipping—Shipping boxes costing \$4.50.

Insurance—Ten months' premium paid, \$**.

Fixtures—Write off 5% for depreciation.

Liability

Salaries—Salaries earned by the office force and unpaid, 5 days, \$**.**.

Box and Shipping—Wages earned by the shipping clerk and unpaid, 5 days, \$*.**.

Make out a Financial Statement and a Loss and Gain Statement.

Figure the profits of the business by departments and verify the merchandise inventory by the accounting method.

*Optional.

Figure the cost of doing business and submit statement to your teacher, stating the amount in even per cent on the cost of goods sold, also on the amount of the sales.

Submit your entire work to your teacher for examination and approval.

RESULTS FOR MARCH

	LIST 1	LIST 2	LIST 3	LIST 4	LIST 5	LIST 6	LIST 7	LIST 8	LIST 9	LIST 10
Cash	1611.74	1607.30	1614.53	1603.38	1606.82	1604.48	1605.03	1608.08	1609.73	1607.01
Amounts Receivable	6321.20	6288.27	6333.88	6306.23	6308.75	6294.14	6304.58	6318.79	6320.12	6308.02
Notes Payable	1820.50	1820.50	1820.50	1820.50	1820.50	1820.50	1820.50	1820.50	1820.50	1820.50
Amounts Payable	104.92	104.92	104.92	104.92	104.92	104.92	104.92	104.92	104.92	104.92
Herbert Templeton (Private)	745.63	726.94	753.36	733.96	736.94	728.47	733.96	742.59	744.08	736.67
Ray E. Parker (Private)	765.62	746.94	773.36	753.96	756.94	748.46	753.96	762.59	764.08	756.67
Firm's Present Worth	8911.25	8873.88	8926.72	8887.92	8893.88	8876.93	8887.92	8905.18	8908.16	8893.34

QUESTIONS AND PRACTICAL PROBLEMS

1. What is the object of the document called "Articles of Co-Partnership?"
2. What are the advantages of having this agreement in writing?
3. For what reasons is Mr. Parker's investment not to equal that of Mr. Templeton?
4. Should the partners decide to dissolve partnership, how are the assets and liabilities to be divided?
5. What is the name given a contract for the rental of premises?
6. Who, in this set, is the lessee? Who is the lessor?
7. What would, under the terms of this contract, render it void?
8. In case of death of one or both of the partners, would the covenants of the agreement be extended to and binding upon other persons? Whom?
9. What is a promissory note?
10. In the case of note No. 2, who is the maker? Who the payee? Who the endorser? Who the endorsee?
11. In what respects does note No. 3 differ from note No. 2?
12. What is a check?
13. What is a bank draft?
14. In what respects does a bank draft differ from a check?
15. Why was the check invested by Mr. Templeton (check No. 1) drawn in favor of the firm and the bank draft invested by Mr. Parker (No. 4) drawn to the order of Mr. Parker and endorsed by him?
16. Why are Cash Discount columns kept in the Cash Book?
17. In what other ways may cash discounts be taken care of?
18. When making remittances in settlement of accounts, in what funds should they be made?
19. In what manner may out-of-town accounts be settled?
20. What is the proper order of arrangement of items in a Financial Statement or Balance Sheet?
21. What is meant by Quick Assets? Slow Assets?
22. Instead of closing Cash Discount account into Loss and Gain account, into what do some firms close it?
23. Will this affect the profits?
24. What is the result of this method?
25. The traveling salesman's salary is charged, in this set, to Salaries account. To what other account might his salary be charged instead?
26. Should Traveling Expense account have an inventory and, if so, why is no inventory entered?
27. What is the object of keeping a Cash account in the ledger?
28. What does C. O. D. mean?
29. What is a bill for freight called?
30. What is a Power of Attorney?
31. Is it the general custom to bestow this authority upon the bookkeeper?
32. What is there peculiar about Benj. Turner's paying on January 27 the 60-day bill of January 5? What, as a man watching his interests, should he have done?

33. Why is no exchange included in check No. 16?
34. Describe the process of shipping goods C. O. D. by freight.
35. Why are liability inventories entered?
36. Why must the difference between the profit shown by the Department Profits Register and the Loss and Gain account, equal exactly the difference between the inventory taken by stock and the inventory taken by the method of accounting?
37. In borrowing money from a bank, what is the bank's rule in reference to interest?
38. In paying the bill of The N. K. Fairbank Company of January 27, on February 6, why was the credit first deducted from the bill and then discount taken on the remainder?
39. Why was the discount taken on the full amount of the bill of The American Cereal Company of March 2, when paying it March 10, and the credit deducted afterwards?
40. What is an Insurance Policy?
41. By the terms of the policy in this set, if a loss of \$2000 were suffered and the amount of stock on hand at the time were \$6000, what amount would the company pay the firm?
42. On February 24 five boxes of matches were returned to The Diamond Match Company. The bill for these matches had been previously settled and a cash discount of 1% taken on it. To be strictly accurate, what entry should have been made for the cash discount taken on the matches returned? Why? In what book should this entry have been made?
43. Suppose L. M. Wetzel had settled the 30-day bill of January 16 within the discount limit, would it have been proper to allow him to take 1% from the face of the bill, to deduct the credit of \$7.20 (made on the 60-day bill) and to accept cash for the balance? Why?
44. What must any difference between the bank balance and the check book balance equal?
45. In signing the bank statement February 4, what does the firm agree to?
46. What is the rule with reference to payments falling due on Sunday?
47. Why was there no freight charged in the second shipment of coffee?
48. When a debtor owing several bills specifies that his payment is to be applied on a certain bill or bills, must his instructions be followed?
49. Why are Quaker Oats bought and sold at the same price and on the same terms?
50. What is a sight draft?
51. In drawing the draft on G. A. & C. L. Adkins February 27, who is the drawer? Who is the drawee? Who is the payee?
52. What are the usual methods pursued with reference to the collection of drafts?
53. Since notes were given, on March 9, for the bills of The N. K. Fairbank Company and The American Tobacco Company the firm lost the cash discounts on these bills. Would it have been proper to charge Cash Discount account for the cash discounts thus lost?
54. To what extent would this have affected the gains of the business?
55. Would it have been proper to charge G. A. & C. L. Adkins interest on their bills of January 5, when paying them March 7?
56. What would this interest have amounted to at 5%?
57. Would this interest, if received, have created any change in the partners' private accounts when closed March 31?
58. Examine the unpaid creditors' accounts March 31 and ascertain how the firm could have increased the profits for March by \$2.34.
59. Why is the note given The N. K. Fairbank Company March 9 made for 30 days and the one given The American Tobacco Company for 60 days?
60. What methods are in common use in paying exchange to the bank? What seems to you the better method? Why?
61. A bill of goods to the amount of \$100, terms net 30, 5/10, was sold to a party. The goods were to displace another brand, and these to the value of \$40 were sent to the seller for credit. If the transaction is settled in 10 days, to what discount is the buyer entitled and what amount of cash is required to settle the bill?
62. A dealer buys merchandise listed at \$1780, getting discounts of 20% and 10% with 60 days' credit, 3% cash. How much does he gain by borrowing money at 6% to pay the bill?
63. The following merchandise accounts are found on a Ledger: Inventory at commencing \$5000, purchases \$21,000, sales \$36,000, freight \$360, purchases returned \$1500, sales returned \$2400. What per cent profit was made on merchandise account?

64. TRIAL BALANCE OF THE X. Y. Z. CO., JANUARY 1, 1904

Cash,	20000	
Bills Receivable,	5000	
Bills Payable,		8000
Accounts Payable,		7000
Accounts Receivable,	14000	
Mdse,	80000	95000
Real Estate,	7500	
Expense,	3000	
Interest and Discount,		500
Loss and Gain,	31000	
Stock,		50000
	160500	160500

Additional information: Mdse. unsold, \$36000, real estate on hand valued at \$6000, items charged to expense not used \$1200, 5 per cent of accounts receivable doubtful, wages due and not paid \$300. Make statements showing losses and gains and assets and liabilities.

65. In a business A has 1/2, B and C each 1/4 interest. After closing the books, an omission of a liability of \$120 for merchandise was discovered. Give the entry for adjusting this without reopening the merchandise account.

66. From the following balances and inventory (proprietor's account omitted) determine, first, the investment; second, the gain or loss; third, present worth:

Cash on hand,	\$5286.92	Mdse, Dr., \$1238.06	Cr., \$560.00
Bills Rec.,	529.72	Bills Pay.,	342.18
L. T. Smith, Dr.,	65.75	H. T. Clark, Cr.,	526.00
Expense,	273.27	Interest and Dis., Cr.,	3.75
C. H. Hathaway & Co., Dr.,	79.36	Mdse on hand,	876.25

67. From the data given below make out statements. Inventories: Merchandise, \$2365.80; Expense, \$100. Debit footing: Cash \$12370.70; Expense, \$300; Merchandise, \$12784.35; Interest and Discount, \$24.62; Bills Receivable, \$9765.20; Bills Payable, \$3592.85; F. W. Bennett, \$5641.80; D. J. Irving, \$9626.30; Shipment No. 1, \$1265. Credit footings: W. H. Smith, Proprietor, \$5882.55; Cash, \$8175.20; Merchandise, \$11985.65; Interest and Discount, \$17.97; Bills Receivable, \$7760; Bills Payable, \$3769.41; F. W. Bennett, \$10935.79; D. J. Irving, \$5461.80; Shipment No. 1, \$1382.45.

68. A and B are in partnership, sharing in the ratio of 1/3 and 2/3 respectively. A's investment account has not been so large as it should be and he owes \$60 interest on the deficit. Suggest two entries for adjusting the interest matter, no cash passing.

69. A and B are partners in business, sharing equally in gains and losses. The fiscal year ends July 1. On January 1 B withdraws, or borrows, \$1000 from the firm. Money is considered worth 6%. In settlement July 1, three methods are proposed: First, B pay to A a certain amount; second, B to pay the firm a certain amount; third, A to withdraw a certain amount. State the equitable amount in each case and give the proper Journal entry.

70. Prepare statements for the following:

FACE OF LEDGER

Stock,		25000
Cash,	10500	
Consolidated Mdse,	36000	45000
Bills Receivable,	9000	
Bills Payable,		2000
Accounts Receivable,	14000	
Accounts Payable,		5000
Fixtures,	5000	
Expense,	2500	

Conditions to close: Value of Mdse on hand, \$10000; Unpaid rent for month, \$200; Unpaid salaries, \$375; Interest due on Bills Rec., \$3.60; Interest due on Bills Pay., \$4.75; Discount on Bills Rec., \$5.70; Discount on Bills Pay., \$5.27; 5 per cent of Accounts Receivable are doubtful; one note of \$900 in Bills Rec. is worthless; the loss or gain is to stand as a balance in the Loss and Gain account. The Fixtures inventory remains unchanged.

VARIABLE SELLING PRICES

To be used only in connection with orders 13, 21, 24, 25, 30, 31, 35, 43, 47 and 58.

	1	2	3	4	5	6	7	8	9	10
Apples, Fancy Evap.....lb.	\$0.10½	\$0.10½	\$0.10½	\$0.10½	\$0.11	\$0.10½	\$0.10½	\$0.11	\$0.10½	\$0.10½
Beans, 2 lb. P. L. String.....doz.	1.19	1.17	1.20	1.18	1.22	1.16	1.20	1.18	1.17	1.21
Cigars, Cremo.....M	35.00	34.50	35.50	34.00	33.75	34.75	35.00	34.00	34.50	34.75
Francis Wilson.....M	65.00	64.50	65.75	64.00	64.75	65.25	64.50	64.60	64.70	64.75
Cheese, Swiss.....lb.	.17½	.17½	.17½	.17½	.17½	.17½	.17	.17½	.17½	.17½
Young American.....lb.	.14½	.14½	.14	.14½	.14½	.14½	.14½	.14½	.14½	.14
Coffee, Select Golden Rio.....lb.	.14½	.14½	.14½	.14½	.14½	.14	.14½	.14½	.14½	.14½
Best O. G. Java.....lb.	.24½	.24½	.24	.24½	.24	.24	.24½	.24	.24	.24½
Fancy Santos.....lb.	.11½	.11½	.12	.11	.11½	.11½	.11½	.11½	.11½	.11
Corn, Old Abe.....doz.	1.62½	1.62	1.65	1.60	1.55	1.50	1.60	1.65	1.64	1.65
Flour, Ceresota 1/4.....bbl.	6.80	6.75	6.85	6.70	6.65	6.80	6.65	6.70	6.85	6.75
Pillsbury Best, 1/8.....bbl.	6.75	6.70	6.80	6.65	6.60	6.75	6.60	6.65	6.80	6.70
Pillsbury Best, bbl.....bbl.	6.70	6.65	6.75	6.60	6.55	6.70	6.55	6.60	6.75	6.65
Matches, B. & C.....bx.	1.57	1.50	1.60	1.55	1.58	1.53	1.54	1.57	1.58	1.59
Oysters, 1 lb. Cove.....doz.	.92	.91	.93	.95	.94	.92½	.94½	.93	.92	.90
Peaches, Muir.....lb.	.10½	.10½	.10½	.10½	.10½	.10½	.10½	.10½	.10½	.10½
Peas, 2 lb. Menu.....doz.	1.40	1.45	1.50	1.55	1.47	1.45	1.50	1.47	1.46	1.45
Prunes, 60-70 California.....lb.	.10½	.10½	.10½	.10½	.10½	.10	.09½	.09½	.10	.10½
70-80 California.....lb.	.10	.10½	.10½	.10½	.11½	.09½	.09½	.09½	.09½	.10
Salmon, Columbia River.....doz.	1.25	1.22	1.24	1.30	1.23	1.28	1.20	1.22	1.23	1.21
Salt, Michigan 3's.....bbl.	1.75	1.70	1.80	1.85	1.77	1.79	1.80	1.78	1.76	1.75
Michigan 5's.....bbl.	1.70	1.65	1.75	1.80	1.79	1.74	1.75	1.82	1.80	1.80
Michigan kegs.....keg	.95	.92	.96	.97	.94	.95	.94	.93	.95	.96
Sardines, Messir.....cs.	16.60	15.90	16.25	16.00	15.95	15.75	15.80	15.85	16.10	15.60
Shrimp, 1 lb. Dried.....doz.	1.10	1.07	1.12½	1.08	1.09	1.07½	1.08	1.07	1.10	1.06
1 gal. Headless.....can	.75	.70	.77	.80	.79	.81	.76	.78	.77	.75
2 gal. Headless.....can	1.50	1.40	1.54	1.55	1.45	1.47	1.52	1.56	1.54	1.50
2 lb. Pickled.....doz.	2.20	2.25	2.30	2.15	2.17	2.25	2.19	2.21	2.24	2.30
Soap, Chicago Family.....bx.	4.75	4.65	4.80	4.60	4.55	4.85	4.75	4.80	4.60	4.55
Glycerine Tar.....bx.	5.90	5.80	5.95	5.75	5.65	5.95	5.90	5.95	5.75	5.60
Old Brown.....bx.	3.30	3.10	3.20	3.15	3.25	3.35	3.30	3.35	3.15	3.25
Santa Claus.....bx.	4.85	4.75	4.90	4.80	4.70	4.95	4.85	4.90	4.70	4.75
Tea, Basket Fired Japan.....lb.	.37	.36	.37½	.38	.36½	.35½	.36½	.37½	.36½	.37
Sun Dried Japan.....lb.	.33	.32	.32½	.31	.32½	.32	.33	.33½	.34½	.35
Tomatoes, 2 lb. Pewaukee Lake.....doz.	1.12½	1.10	1.15	1.14	1.11	1.09	1.10	1.12½	1.15	1.10
3 lb. Pewaukee Lake.....doz.	1.37½	1.30	1.35	1.36	1.34	1.33	1.35	1.37½	1.40	1.35
Tobacco, Star Plug.....lb.	.62	.60	.61	.59	.58½	.58½	.61	.60	.59	.58

THE SALES BINDER AS AN AID TO CLASSIFICATION

When the sales binder is used, sales may be readily classified in any way that is desirable, by the simple device of using a separate binder for sales of a certain class. Classification of sales is often by departments, or the classification may consist in keeping separate the sales of the different salesmen, or both classifications may be observed. When separate accounts are kept with the different departments, classification by departments should be observed. When the salesmen's salaries depend on the amount of their sales, or when they are paid a commission, the sales of the different salesmen should be kept separate.

Suppose that it is desired to keep the sales of the different departments separate. Assuming that there are three different departments, three binders would be installed, one for each department. Three different kinds of order blanks would be printed, preferably on sheets of different colors and varying sizes, in order to assist in distinguishing between them readily. The orders for each department would be filed in a separate binder. At the end of the month or other period, a separate recapitulation sheet would be filled for each binder, and the three totals posted separately to the credit of Mdse. Sales, or added together and the total posted, or posted to departmental accounts if such accounts were kept.

The plan of classification suggested above would necessitate the use of several order blanks for the same sale when the customer bought goods from various departments, and for this reason it is not a popular plan in lines of business which have a large number of departments. For lines of business having only two, three, or four departments, however, the plan of making out orders for the different departments

on separate sheets proves very satisfactory, especially when the terms of sale vary in the different departments, as this necessitates separate billing of thirty-day items, sixty-day items, etc., anyway.

The sales binder must not be considered a mere loose-leaf device for convenience in filing and for the economizing of time. You have seen in the set on wholesale accounting just completed, that the sales binder system forms the basis of the filling of orders, billing, and posting, and of the system of cost accounting used. The sales binder is not, like the loose-leaf ledger, a mere filing device; its proper use makes it an integral part of the accounting system.

THE COMPARATIVE SALES SHEET

The Comparative Sales Sheet is a tabulated arrangement of monthly or yearly sales. If it sets forth monthly sales, its purpose is to show the increase or diminution of business from month to month, and to furnish an opportunity for a comparison of the volume of business of any month with that of the same month of the previous year, or some other year. It may be arranged to show the comparison by departments, or by salesmen, or in any other way.

Prepare on an unruled sheet of paper a form ruled with eight vertical columns, each two inches wide, headed respectively with the names of the eight departments used by the Western Grocery House, one inch being left at the left-hand side for the names of the months and two inches being left at the right-hand side for totals. To do this you will need a sheet nineteen inches wide and six or seven inches from top to bottom. If you cannot secure such a sheet, make it by pasting several sheets together. After writing the headings (four of which are shown in the form below), rule twelve horizontal lines and write the names of the months in the column at the left. The headings not shown in the illustration, each of which has the same sub-headings, are: Canned Goods; Flour and Cereals; Cheese, Fish, and Salt; Cigars and Tobacco; Totals.

	Fancy Groceries			Sundries			Sugar			Coffee & Tea		
	This Year	Last Year	Increase	This Year	Last Year	Increase	This Year	Last Year	Increase	This Year	Last Year	Increase
January.....												
February.....												
March.....												
April.....												

Write in the lines opposite January, February, and March (this year) in the proper spaces, the sales for these months by departments, as ascertained from the Department Sales Register. Then fill in the sales for the remaining months as follows:

Fancy Groceries: April, \$725.20; May, \$613.46; June, \$422.13; July, \$137.49; Aug., \$246.25; Sept., \$578.92; Oct., \$695.45; Nov., \$729.30; Dec., \$725.06. *Sundries:* April, \$355.27; May, \$401.60; June, \$359.75; July, \$325.83; Aug., \$367.24; Sept., \$425.90; Oct., \$299.30; Nov., \$311.28; Dec., \$375.90. *Sugar:* April, \$110.20; May, \$170.85; June, \$213.31; July, \$250.75; Aug., \$285.07; Sept., \$310.46; Oct., \$320.53; Nov., \$345.90; Dec., \$210.67. *Coffee & Tea:* Apr., \$1543.20; May, \$1675.80; June, \$1429.75; July, \$944.83; Aug., \$1251.76; Sept., \$1347.25; Oct., \$1684.30; Nov., \$1525.35; Dec., \$1428.18. *Canned Goods:* April, \$429.65; May, \$313.20; June, \$270.60; July, \$265.80; Aug., \$310.27; Sept., \$479.80; Oct., \$510.21; Nov., \$521.10; Dec., \$639.25. *Flour & Cereals:* April, \$429.63; May, \$437.34; June, \$438.29; July, \$395.92; Aug., \$501.06; Sept., \$505.27; Oct., \$515.32; Nov., \$497.33; Dec., \$385.49. *Cheese, Fish, & Salt:* April, \$149.50; May, \$175.89; June, \$210.25; July, \$265.72; Aug., \$273.84; Sept., \$294.35; Oct., \$305.29; Nov., \$315.94; Dec., \$297.20. *Cigars and Tobacco:* April, \$1427.68; May, \$1567.28; June, \$1493.37; July, \$1329.60; Aug., \$1283.47; Sept., \$1327.89; Oct., \$1427.68; Nov., \$1250.30; Dec., \$1342.93.

Fill in the sales for the previous year as follows:

Fancy Groceries: Jan., \$118.36; Feb., \$520.57; Mar., \$610.75; April, \$695.13; May, \$598.20; June, \$420.60; July, \$125.36; Aug., \$230.95; Sept., \$567.20; Oct., \$672.93; Nov., \$710.09; Dec., \$715.25. *Sundries:* Jan., \$352.73; Feb., \$210.27; Mar., \$340.20; April, \$350.05; May, \$399.21; June, \$347.79; July, \$310.20; Aug., \$409.60; Sept., \$415.65; Oct., \$275.90; Nov., \$300.70; Dec., \$350.45. *Sugar:* Jan., \$272.23; Feb., \$265.26; Mar., \$103.25; April, \$102.19; May, \$125.74; June, \$198.36; July, \$231.31; Aug., \$270.65;

Sept., \$305.01; Oct., \$301.05; Nov., \$329.60; Dec., \$207.20. *Coffee & Tea*: Jan., \$1027.19; Feb., \$628.13; Mar., \$1750.46; April, \$1525.10; May, \$1707.29; June, \$1410.20; July, \$940.83; Aug., \$1184.65; Sept., \$1442.60; Oct., \$1627.35; Nov., \$1409.20; Dec., \$1392.56. *Canned Goods*: Jan., \$943.27; Feb., \$496.27; Mar., \$564.80; April, \$410.05; May, \$298.32; June, \$265.20; July, \$251.07; Aug., \$298.40; Sept., \$472.19; Oct., \$584.69; Nov., \$505.05; Dec., \$610.29. *Flour & Cereals*: Jan., \$439.16; Feb., \$200.70; Mar., \$525.47; April, \$410.56; May, \$431.23; June, \$410.65; July, \$392.70; Aug., \$485.20; Sept., \$497.65; Oct., \$499.27; Nov., \$491.26; Dec., \$375.47. *Cheese, Fish, & Salt*: Jan., \$107.29; Feb., \$290.75; Mar., \$208.33; April, \$145.60; May, \$195.27; June, \$205.29; July, \$275.93; Aug., \$250.67; Sept., \$301.27; Oct., \$297.83; Nov., \$326.06; Dec., \$284.20.

When the sales for both years have been written in the form by months and by departments, fill in the spaces headed *Increase*, the amount filled in in each case showing the increase for a certain month this year over the same month last year, in a particular department. If a decrease is shown, write the amount in red ink. Fill in the three columns under the heading *Totals*. Foot all columns, including the totals columns. In determining totals in the *Increase* columns, add the black ink amounts, omitting amounts written in red; then deduct the red ink amounts. Prove the footings in each department, finding the difference between this year's total and last year's total and comparing this with the total increase. Prove the footings in the *Totals* column by applying the same test and also by adding together the totals of this year's sales in the eight departments to determine whether the results agree with the final result shown in the footing of the *Totals* column for this year, and doing the same with last year's columns and with the columns showing increase. If your work will respond to all these tests, it is correct.

THE COMPARATIVE PROFITS SHEET

Volume of sales is not as important a consideration as amount of profit. Prepare a Comparative Profits Sheet in the same way you prepared the Comparative Sales Sheet. You will be thrown upon your own resources in preparing this sheet. It must compare this year's profits with the profits of last year by months and by departments, and must show the increase or decrease in each case. The profits for January, February, and March of this year are to be ascertained from the Department Profits Register which you prepared in connection with the work of Wholesale Accounting. The profits for the remaining nine months of this year are as follows:

Fancy Groceries: April, \$225.60; May, \$190.23; June, \$150.62; July, \$42.65; Aug., \$85.27; Sept., \$162.23; Oct., \$201.26; Nov., \$250.67; Dec., \$241.32. *Sundries*: April, \$84.95; May, \$101.26; June, \$92.13; July, \$87.29; Aug., \$95.42; Sept., \$120.60; Oct., \$82.43; Nov., \$95.53; Dec., \$127.30. *Sugar*: April, \$18.27; May, \$29.34; June, \$52.67; July, \$63.29; Aug., \$69.87; Sept., \$78.21; Oct., \$85.49; Nov., \$89.27; Dec., \$65.26. *Coffee & Tea*: April, \$425.29; May, \$357.64; June, \$253.78; July, \$312.96; Aug., \$395.34; Sept., \$421.78; Oct., \$378.95; Nov., \$385.29; Dec., \$356.92. *Canned Goods*: April, \$180.27; May, \$105.26; June, \$83.45; July, \$81.67; Aug., \$87.50; Sept., \$120.31; Oct., \$132.45; Nov., \$145.90; Dec., \$156.75. *Flour & Cereals*: April, \$66.79; May, \$68.42; June, \$69.53; July, \$62.50; Aug., \$84.97; Sept., \$85.83; Oct., \$90.27; Nov., \$91.32; Dec., \$64.27. *Cheese, Fish & Salt*: April, \$40.42; May, \$49.33; June, \$58.74; July, \$65.92; Aug., \$67.28; Sept., \$72.51; Oct., \$79.82; Nov., \$84.27; Dec., \$75.01. *Cigars & Tobacco*: April, \$400.40; May, \$425.69; June, \$415.83; July, \$397.26; Aug., \$360.43; Sept., \$381.41; Oct., \$401.29; Nov., \$327.64; Dec., \$347.60.

The profits for last year were as follows: *Fancy Groceries*: Jan., \$27.60; Feb., \$155.64; Mar., \$182.19; April, \$210.20; May, \$170.62; June, \$142.93; July, \$39.95; Aug., \$78.69; Sept., \$150.24; Oct., \$199.01; Nov., \$245.69; Dec., \$237.40. *Sundries*: Jan., \$80.07; Feb., \$47.29; Mar., \$75.34; April, \$79.82; May, \$98.26; June, \$85.43; July, \$82.29; Aug., \$110.25; Sept., \$115.43; Oct., \$72.96; Nov., \$92.27; Dec., \$110.47. *Sugar*: Jan., \$40.27; Feb., \$36.47; Mar., \$15.27; April, \$16.39; May, \$25.43; June, \$49.26; July, \$57.83; Aug., \$65.29; Sept., \$73.36; Oct., \$82.27; Nov., \$83.75; Dec., \$62.37. *Coffee & Tea*: Jan., \$205.69; Feb., \$153.27; Mar., \$469.84; April, \$410.30; May, \$387.25; June, \$240.69; July, \$304.82; Aug., \$385.76; Sept., \$452.96; Oct., \$374.92; Nov., \$381.24; Dec., \$348.64. *Canned Goods*: Jan., \$288.47; Feb., \$149.63; Mar., \$199.82; April, \$175.47; May, \$98.54; June, \$80.20; July, \$76.47; Aug., \$83.45; Sept., \$118.27; Oct., \$152.97; Nov., \$142.93; Dec., \$140.67. *Flour & Cereals*: Jan., \$63.73; Feb., \$30.25; Mar., \$84.37; April, \$62.73; May, \$66.74; June, \$63.25; July, \$60.00; Aug., \$82.93; Sept., \$79.24; Oct., \$84.37; Nov., \$87.28; Dec., \$62.39. *Cheese, Fish & Salt*: Jan., \$33.42; Feb., \$75.24; Mar., \$59.82; April, \$36.80; May, \$57.64; June, \$62.13; July, \$61.25; Aug., \$63.46; Sept., \$75.93; Oct., \$72.87; Nov., \$92.74; Dec., \$70.25.

Apply the same tests to prove the accuracy of your work that you applied in preparing the Comparative Sales Sheet. Hand in both sheets.

MERCANTILE ACCOUNTING

AN ADVANCED BOOKKEEPING SET IN WHICH MODERN FORMS ARE
USED AND THE LATEST PRACTICES ARE FOLLOWED AND WHICH
SHOWS THE BUSINESS-LIKE METHOD OF PAYING ALL
BILLS BY CHECK. TO BE WORKED EITHER WITH
OR WITHOUT VOUCHERS

BY
W. S. MCKINNEY
OF THE CHICAGO HIGH SCHOOLS

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PREFACE

Recent expansions and wholesale combinations of commercial and industrial enterprises have made necessary numerous changes in forms and methods, as well as more thoroughly scientific applications of the fundamental principles of accounting.

In order the better to illustrate present day methods of wholesale accounting, it seems advisable to utilize the transactions of a business of general interest, large volume, and ample variety. The lumber business, because of its large volume, wide distribution and great intrinsic value, admirably serves this purpose.

There are necessarily some special adaptations, in form and application, of accounting principles employed in the lumber business; but the basic principles of accounting apply with nearly equal facility to all lines of business, whether of large or of moderate proportions.

The chief purpose of this set is to give a clear insight into and a thorough mastery of principles, and securely fix them in the mind of the student by means of an adequate amount of practice upon real transactions. Thus theory and practice are made to go hand in hand, as they should; for theory without practice becomes vague and incomprehensible; while practice without theory is narrow and limited in application. Correct theory combined with the best present day practice upon typical transactions is thus enforced by concrete constructive methods.

In the following set the methods of treatment and forms employed have been selected as the result of a critical examination of several of the most progressive going concerns in this line.

It is assumed that the student undertaking this set has a practical knowledge of the ordinary technical terms pertaining to bookkeeping and is fairly well grounded in the elementary principles of double entry, as exemplified in the use of the cash book, journal and ledger. He should also understand the importance in every line of business, large or small, of systematically recording the vital facts in accordance with some well defined plan, which while avoiding useless repetition, will at the same time guard against omission of essential data. He should recognize that, whether few or many special books be used, these should be so planned and adjusted to each other that they shall, as a whole, constitute a record of such unity that any one, versed in the ordinary technical terms and conventional forms peculiar to the art of bookkeeping, will be able to read readily and understandingly the progressive story of the business represented.

In a small business, involving only simple details, not many special books and forms are needed; but in a business of large volume, having many intricate details, a greater variety of special books and forms is necessary in order to exhibit, on the one hand the fullest possible elaboration of items, and, upon the other hand, the greatest practicable condensation of results into comprehensive totals.

Acknowledgment is due Mr. L. L. Abbott, of E. L. Roberts & Co., Chicago, for valuable assistance in preliminary investigations of the lumber business; also to Mr. John J. Herkins, of The Foster Munger Co., and Mr. P. W. Hayes, of The Edward Hines Lumber Co., of Chicago, for helpful suggestions and copies of various accounting forms. To Mr. M. B. Cross of Francis Beidler & Co., Chicago, acknowledgment of very great indebtedness is made for the subject-matter of the transactions, and for several features of special treatment, as well as for many practical suggestions upon every part of the work.

THE AUTHOR.

MERCANTILE ACCOUNTING

Mercantile Accounting is an advanced work and it is assumed that the student, in undertaking to work this set, is familiar with the technical terms pertaining to bookkeeping and is fairly well grounded in the principles of double entry accounting. This, and an earnest effort to widen his knowledge of accounting by diligent and thoughtful study is *all*, however, that is required to master this work and obtain highly satisfactory and profitable results.

Mercantile Accounting illustrates truly modern methods of accounting and office practice. It deals with the wholesale lumber business, as one of large volume and wide distribution, but the principles, methods and forms employed are applicable, with few minor changes, to almost every line of business of equal magnitude. There are no forms and methods used which are not thoroughly practical and which do not represent the latest conceptions of progressive American accountants.

This work makes use of:

1. The so popular loose-leaf order system.
2. The divisional ledger system, separating the ledger into Purchase, Sales and General Ledgers, each capable of being balanced independently of the others.
3. The new three-column ledger form, now so widely used for sales and purchase accounts.
4. The proper classification of accounts into resource, trading, operating, interest and discount, liability, and capital or investment accounts and the arranging of these accounts in the General Ledger in the order of their importance.
5. A Cash Book and Journal constructed to conform to the divisional ledger system.
6. Auxiliary cash discount and freight columns, kept in the Cash Book as a matter of convenience.
7. The system of depositing every item of cash receipt and making disbursements by check only.
8. A Petty Cash Book.
9. The loose-leaf check system and the keeping of the bank record in the Cash Book.
10. The Financial Statement, the modern substitute for the balance sheet; and a number of other new and up-to-date features.

Mercantile Accounting is a so-called practice set, that is, business papers are used in connection with the transactions. These are incoming orders, incoming invoices for merchandise (lumber, etc.), incoming freight bills and incoming checks, notes and drafts. However, the text is so arranged that the use of these papers (excepting the order blanks) may be omitted if the student has had sufficient previous experience in handling such papers, but the omission is not recommended for the reason that the vouchers represent papers which are somewhat out of the ordinary. In order to avoid monotony the use of

freight bills is discontinued after the first month and the use of checks, drafts and notes is discontinued after the second month. No business papers, other than those mentioned, are used.

Business papers of the outgoing class are checks, notes, deposit tickets, etc. The making out of these papers may also be omitted entirely or the practice may be discontinued at the end of the first or second month at the discretion of the teacher. Billing being substantially making a copy of the order blank, is not required of the student in this set.

In order to promote self-reliance and guarantee independent work by the student, some of the orders are given without prices affixed. These are to be supplied from a series of price lists, one of which is to be assigned to the student at the beginning of the work. The use of this list will cause his results to differ from those of another student using a different list. To obtain correct results the same price list must always be used. The lists of variable selling prices will appear in the text in connection with the orders for which they are to be used.

An enumeration of the books used in this work is given below. Whenever a book is used for the first time a complete description, if needed, is given. Also, whenever a new feature is first introduced very explicit and comprehensive instructions and illustrations are given; these are later, incidentally, repeated in brief form, when necessary, and finally omitted entirely, thus compelling the student to rely solely on his own resources.

A brief history and description of the lumber industry and a list of terms and abbreviations used in the lumber business are given in the appendix, the same being deemed of interest to the learner.

THE BOOKS OF ACCOUNTS

THE BOOKS OF ACCOUNTS used in this set are as follows:

The Purchase Journal, in which invoices for merchandise (lumber, posts, shingles, etc.) are entered.

The Sales Distribution Book, in which entries are made of sales from the loose-leaf order blanks.

The Cash Book, constructed in conformity with the divisional ledger system and showing a columnar arrangement for entries of such General Ledger items as occur frequently in a business, also showing auxiliary cash discount and freight columns, kept in the Cash Book for convenience only, and an up-to-date bank record in connection with the system of depositing all items of receipt and of making all payments by checks only.

The Petty Cash Book for entries of small items of expense, etc., which cannot conveniently be paid by checks.

The Journal, containing three debit and three credit columns, to conform to the divisional ledger system.

The Notes Receivable Book and Notes Payable Book for entries of promissory notes, acceptances, etc.

The Purchase Ledger, in which accounts with *creditors only* are kept and which makes use of the three-column ledger form, considered a most practical form for personal accounts.

The Sales Ledger, in which accounts with *customers only* are kept and which also shows the three-column ledger form.

The General Ledger, in which all general accounts and accounts representing the Purchase Ledger and the Sales Ledger are kept, each ledger capable of being balanced independently of the others.

The Trial Balance Book for entering the trial balances of the several ledgers.

The Freight Claim Book, an auxiliary book, in which claims for overcharges by the various railroad companies are entered.

The Stock Book, an auxiliary book, for recording the quantities of merchandise bought and sold during specified periods.

THE LOOSE-LEAF ORDER SYSTEM

Of all the practical devices for accounting purposes, of recent design, there is none which enjoys as great popularity as does the loose-leaf order system, employed in this set. The advantages this system offers, in the matter of handling orders and sales, are so decidedly valuable, particularly as to saving of time and the avoiding of errors, that it is now being almost universally adopted.

Take the pad of orders from your outfit and study the arrangement of the blank and its functions. Salesman Bowen, who always carries with him pads of the firm's order blanks, made out the order (Order No. 1) exactly as it is before you. He first wrote in the center of the heading the customer's name and address. He then inserted in the upper left-hand column, which is designed for the salesman's exclusive use, in regular, logical order: First, his name; second, the date the order was taken; then, by what railroad company shipment is to be made; next, when shipment is expected to be made; then the terms, both as to payment and to delivery. Then, in the body of the blank, he inserted the pieces or number of feet of lumber, etc., ordered, the dimensions, the grades or descriptions, and the prices of the various items as agreed upon between him and the customer.

The order sheet, thus filled out, was sent by the salesman to the House the same day the order was taken. When received in the office, it was dated as of the date of receipt and registered in an Order Register, receiving, it being the first order, the number 1. The date and number were stamped in the upper right-hand column, which is designed for the exclusive use of the office. Mr. Cross passed upon the customer's credit by writing his initials in the Credit O.K. space and he inserted in the Rate space the freight rate at which the order is to be shipped.

A Loading Ticket (see Form D, page 11) is now made out from the order sheet and the sheet is filed in a case arranged for the filing of papers by dates, called a Tickler. The order sheet before you would be filed under "May 5," the date shipment is expected to be made. The Loading Ticket is handed to the yard foreman who superintends the loading and shipping. After shipment has been made the Loading Ticket is returned to the office and from the Tally, the back of the Loading Ticket (see Form E, page 11), the several shipping records are entered in the middle portion of the heading of the order sheet, exclusively devoted for such records; also the quantities shipped in the body of the sheet. The extensions are then made and the order is billed, given a new number, a Binder number, and it is posted direct to the customer's account in the Sales Ledger. The date of billing, the Binder number and the Account number are inserted in the remaining spaces in the upper right-hand column. In the lower left-hand corner, in the "Remarks" space, notations of various kinds may be made and the lower right-hand spaces are for the footings, and records

for the Sales Distribution and Stock Books. Thus the blank contains a complete record of the entire transaction, arranged in a thoroughly logical and systematic order.

After being posted and entered in a Sales Distribution Book, the order sheet is placed in a Sales Binder to remain there permanently. The device used in this set serves to illustrate an important method of handling and filing papers of various kinds. In modernly equipped offices binders are extensively used, not only for filing orders, but for filing invoices, freight bills, credit tickets, letters and all kinds of records. The loose-leaf ledger is constructed upon the same detachable sheet principle and is simply a binder for the handling and filing of ledger accounts.

TO THE STUDENT

Besides a correct understanding of the principles of accounting, there is *nothing* of such great importance in bookkeeping as *accuracy*. Undoubtedly your teachers have often impressed upon your mind the value of *accuracy* and your own experience has taught you that this is true. The author desires to remind you once more of this important fact before you start upon the transactions of this work. To write a neat and legible hand, to keep your books clean and free from blots and erasures or to be speedy in your work are, indeed, accomplishments which you should aim to acquire, but to sacrifice *accuracy* for the sake of neatness or speed is a serious, unpardonable mistake. It would make neatness and speed faults rather than virtues. The great importance of *absolute* accuracy cannot be too strongly emphasized. All the worries bookkeepers experience, when trying to make their books balance, are the results of inaccuracy and locating and correcting errors often consumes much more time than was "saved" by speedy, but inaccurate work. Not only that, but careless, inaccurate work on the part of the bookkeeper may cause serious difficulties to arise between the firm and customers, resulting, perhaps, in considerable financial loss to the firm and, what may be worse, in the loss of a position with fine prospects to the bookkeeper. To become a successful accountant first of all practice accuracy, next neatness, lastly speed.

BUSINESS MEMORANDA FOR MAY

MAY 1, 1908

Mr. M. B. Cross, having previously completed negotiations with W. A. Johnson and Joseph Drake, proprietors of the wholesale lumber firm of W. A. Johnson & Co., for the purchase of their stock and business, located at 22d and Fisk streets, Chicago, Ill has this day taken possession of the same.

Although Mr. Cross is the sole proprietor of the business, he will conduct the same under the firm name of M. B. Cross Lumber Co.

In many states an individual may do business in the name of a company without restriction. This, however, is not the case in every state. In some states an individual, conducting a business under a corporate name, is required to affix "not incorporated" or "unincorporated;" in still other states the statutes expressly prohibit the use of a corporate name by an individual.

Mr. E. B. Bowen, whom Mr. Cross engaged as traveling salesman, Thomas Brown, whom he hired as yard foreman, and yourself (student), whom he engaged as bookkeeper and cashier, have promptly reported for duty at the office. Your salary is to be \$20 a week, Thomas Brown's salary \$25 a week and E. B. Bowen's compensation a salary of \$100 a month and traveling expenses.

Mr. Cross, who is himself a good bookkeeper, has consulted a public accountant with reference to the system of accounting to be employed and they have agreed that a set of books as outlined on pages 4 and 5 be installed. The loose-leaf order system, already in use by W. A. Johnson & Co., is to be continued. They have also determined what General Ledger accounts should be kept and that they be opened properly arranged and classified.

The accounts to be opened and kept are:

1. Resource accounts, in the order of the facility of their realization: Cash, also Petty Cash, Notes Receivable, Accounts Receivable, Mdse, Barn Equipment, Office Furniture and E. B. Bowen, the traveling salesman's account. The latter, owing to advances of expense money, will, in all probability, always show a resource.
2. Trading accounts: Mdse Purchases, In-Freight, Mdse Sales, and Out-Freight.
3. Operating accounts: Rent, Insurance, Salary, General Expense, Barn Expense, Yard Expense, and Traveling Expense.
4. Interest and Discount accounts: Cash Discount, and Interest
5. The Loss and Gain account.
6. Liability accounts, in the order in which they would, ordinarily, be liquidated: Notes Payable, and Accounts Payable.
7. Capital (Investment) account: M. B. Cross, Proprietor.

Open these accounts in the General Ledger (blank book No. 2) in the order given and allow one-half page for each account, except Loss and Gain account, which will require an entire page. Give each of the seven sections space as indicated on the front cover of the blank book which provides some extra space for accounts which you may be required to open later. Index all accounts in proper manner.

Since you do not know who the firm's customers are going to be or of whom the firm will buy, Purchase and Sales Ledger accounts cannot be opened now, but they are to be opened at the time the various transactions occur. As soon as opened, accounts are to be indexed and all transactions are to be posted immediately after they are entered.

No. 1. Mr. Cross invests \$10000 in the business and hands you his personal check for this amount.

Detach check No. 1 from the pad of incoming checks, notes and drafts. Make entry for it in the Cash Book in the usual manner, placing the amount in the General Ledger, Sundries, column. Post the entry to M. B. Cross, Proprietor, account in the General Ledger.

No. 2. Deposit the check just received in the Merchants Exchange Bank to the credit of the M. B. Cross Lumber Co.

Endorse the check as follows:

Pay to
Merchants Exchange Bank
or order
M. B. Cross Lumber Co.

Make the endorsement at the left-hand end, about an inch from the top. Fill out a deposit ticket, a pad of which you will find in your outfit, and have your teacher, representing the bank's receiving teller, make entry for it in your pass book. File the check and deposit ticket in the Bank pocket in the Pocket File (pocket No. 4).*

Enter the amount deposited in the Deposits column under the heading Bank on the credit side of the Cash Book and the date in the Date column. Repeat the amount in the Balance column. These entries are to be *interlinear* entries, that is, they are to be made *between* lines, in this case *above* the first line. (See Form A, Credit Side of Cash Book, page 8). Since the lines will *all* be used for checks, entries for deposits, etc., must *all* be interlinear entries.

*If your school has a bank, make your deposit there, should your teacher direct you to do so.

Nos. 3, 4, 5 and 6. The transfer of title to the stock of lumber, barn equipment, etc., is made by a Bill of Sale, specifying the chattels and goods and naming the purchase price therefor, viz., \$9395.43 for 519917 ft. B. M.* of lumber; \$1100 for the barn equipment. con-

DATE	L.F.	PURCHASE LEDGER		GENERAL LEDGER				BANK			BALANCE	
		CASH DISCOUNT	CASH	GENERAL EXPENSE	BARN EXPENSE	YARD EXPENSE	SUNDRIES	DEPOSITS	CHECKS			
								DATE	AMOUNT	No.	AMOUNT	
1908								4/10	10000			10000
May 1	1		4570.43							1	4570.43	5429.57
	1			6						2	6	5423.57
	1			14						3	14	5409.57
	1				12.45					4	12.45	5397.12

FORM A—CREDIT SIDE OF CASH BOOK

sisting of 4 horses and harnesses, 10 lumber donkeys and 4 front wheels, and \$75 for the office furniture; total \$10570.43. The terms of payment, not specified in the Bill of Sale, but verbally agreed upon, are \$4570.43 cash and two notes of \$3000 each, at 30 and 60 days respectively, without interest.

Turn to the Purchase Journal (blank book No. 1, pages 16 and 17) and enter the purchase of lumber, amounting to \$9395.43.

Study the columnar arrangement of this book. Note that it not only provides for the name of the seller and the amount of the purchase, but for the terms upon which the purchase was made and the due and discount dates, also for entering the number of feet of lumber bought, etc., to be used for the stock record.

Since the present purchase is not subject to a discount, write "Net" in the Terms column. No entries are to be made in the Discount Dates columns for the same reason. "May 1" is to be written in the Due Date column. Enter the number of feet of lumber bought, 519917, in the Lumber column.

Account No. 1.

W.A. Johnson & Co., Chicago, Ill.

DATE	ITEMS	FOLIO	DEBITS	✓	CREDITS	BALANCE
1908	May 1	Net P1			9395.43	9395.43
	1	hundred P1			1175	10570.43
	1	Note May 31 3000				7570.43
	1	" " 31 3000				4570.43
	1	Cash 1 4570.43				—

FORM B—ACCOUNT NO. 1, PURCHASE LEDGER

Now open an account in the Purchase Ledger (blank book No. 2, section 2, part 2) with W. A. Johnson & Co., Chicago, Ill. Number the account No. 1. Index the account, distinguishing it from a Sales Ledger account by prefixing "P" to the account number, thus: P1. Post the entry just made, inserting "1908, May 1" in the Date column, "Net" in the Items column, "P1" in the Folio column, and the amount, \$9395.43, in both the Credits and Balance columns. Postmark the Purchase Journal entry. (See Form B, Account No. 1, Purchase Ledger).

An entry for the barn equipment and office furniture is now to be made in the Journal (blank book No. 1, pages 1 to 7). Note that the Journal is constructed to conform to the divisional ledger system employed in this work. Write upon the first line in the center of the page the date, "May 1, 1908," then write in the Debit Title column "Barn Equipment" and on the next line below "Office Furniture." Because accounts with Barn Equipment and Office Furniture are kept in the General Ledger the amounts are entered in the General Ledger column, left-hand (Dr.) column, viz. \$1100 opposite Barn Equipment and \$75 opposite Office Furniture. Next enter "W. A. Johnson & Co." on the line below in the Credit Title column and the amount, \$1175, in the right-hand

*B. M. means board measure.

PURCHASE LEDGER	SALES LEDGER	GENERAL LEDGER	L.F.	DEBIT TITLE	CREDIT TITLE	L.F.	GENERAL LEDGER	SALES LEDGER	PURCHASE LEDGER
		1100	3	May 1, 1908. Barn Equipment					
		75	4	Office Furniture					
				W. A. Johnson & Co. 1					1175
				As per Bill of Sale of this date					
		3550	12	May 9. Traveling Expense					
				E. B. Bowen 4		3550			
				Expenses May 1 to May 8					
		121050		May 15, Accts. Pay 16		3550			1175
				Other entries		1,175.50			
		20579.24					20579.24		

FORM C—JOURNAL

Purchase Ledger column, because W. A. Johnson & Co.'s account is kept in the Purchase Ledger. Supply the explanation "As per Bill of Sale of this date" on the line below and draw a red line on the next line below through the Debit and Credit Title columns only. (See Form C, Journal).

Post the debit entries, using "J1" for postmarking. Post the credit entry to W. A. Johnson & Co.'s account, entering "Sundries" in the Items column. Enter the amount in the Credits column and add the same to the amount in the Balance column above, making the amount to be inserted in this column now \$10570.43. (See Form B, Account No. 1, page 8). Date and postmark the entries properly.

Now procure from your outfit two blank promissory notes and make out the two notes required. W. A. Johnson and Joseph Drake will remain partners and will engage in another line of business under the old firm name of W. A. Johnson & Co. Therefore, make out the two notes in favor of W. A. Johnson & Co., instead of in favor of the partners individually. Present the notes to your teacher, who represents Mr. Cross, for signatures. Make entry for them in the Notes Payable Book (blank book No. 1, pages 20 and 21, bottom) in the usual manner.

Post the entries to W. A. Johnson & Co.'s account in the Purchase Ledger, using "Note Pay" in the Items column and entering the amounts in the Debits column, also subtract each amount separately from the amount in the Balance column. Use "B1" for postmarking. (See Form B, Account No. 1, page 8).

Draw a check for the balance of the purchase price, \$4570.43 (you will find a pad of checks on the Merchants Exchange Bank in your outfit) and have your teacher, representing Mr. Cross, sign the same. Draw the check in proper manner, dating and numbering it. Make entry for the check in the Cash Book (blank book No. 1, pages 8 to 15) in the Purchase Ledger, Cash, column. Repeat the amount in the Checks column under the heading Bank on the same line with the entry and place the number of the check, "1"

in the No. column. Subtract the amount from the amount in the Balance column above and enter in this column the new balance, \$5429.57. (See Form A, Credit Side of Cash Book, page 8).*

Post the entry to W. A. Johnson & Co.'s account, using "Cash" in the Items column. Enter the amount in the Debits column and subtract the same from the amount in the Balance column above. Since these two amounts agree the account balances and, to indicate this, dashes (—) are now drawn through the Balance column. (See Form B, Account No. 1, page 8). *Do not rule up the account.*

Deliver the notes and the check to the former owners of the business by placing them in pocket No. 2.

A bond having been executed by you, guaranteeing the faithful and honest performances of your duties as bookkeeper and cashier, Mr. Cross has executed an instrument, called a Power of Attorney, empowering you to sign checks, notes, etc., on behalf of the M. B. Cross Lumber Co.

This signature will be:

M. B. Cross Lumber Co.,

Per(your name).

The signature must always be made in exactly the same manner. The bank will require it to be placed on one of their signature cards or in their signature book and it is understood that you left this signature at the bank in the present case.

Yard foreman Brown has been directed by Mr. Cross to engage a sufficient force of men for yard work. The Time and Payroll Sheets are to be kept by him.

No. 7. Pay, by check, to the Chicago Addressing Co., \$6 for announcements to the trade.

Make out the check, numbering it No. 2, and sign it in the style of signature above given. Enter the payment in the Cash Book, charging General Expense account and placing it in the General Ledger, General Expense, column. Since the entry is not to be posted, check (✓) it in the L. F. column. Enter the amount also in the Checks column under the heading Bank on the same line with the entry and subtract it from the amount in the Balance column above, entering the new balance, \$5423.57, in the Balance column on the same line. Place "2" in the No. column. (See Form A, Credit Side of Cash Book, page 8). Have your teacher O. K. the check, then file in pocket No. 2.

No. 8. Pay S. D. Childs & Co., \$14 by check for blank books, stationery and office supplies.

Make out check (No. 3), sign the same in proper manner and enter in Cash Book, charging General Expense Account. Make entries in exactly the same manner as in transaction No. 7. File the check in pocket No. 2, after it has been O. K.'d by your teacher.

No. 9. Pay R. M. Gray & Co., for feed, \$12.45 by check.

Draw the check (No. 4), sign it and make Cash Book entry, charging Barn Expense account. Place the amount in the Barn Expense column and since the entry is not to be posted, check (✓) it in the L. F. column. Make proper entries in the Bank columns. File the check when O. K.'d by your teacher.

No. 10. Mr. Bowen, the traveling salesman, will start upon a trip this morning. He will carry with him pads of the firm's loose-leaf order blanks. These he will fill out at the time he takes the orders and mail them to the House in the evening. Pay him \$100 by check for traveling expenses.

Draw the check and make Cash Book entry. Charge E. B. Bowen's account and place the amount in the General Ledger, Sundries, column. *Do not* charge Traveling Expense account. Make Bank column entries and file the check. Post the entry.

See that all checks are consecutively numbered. The numbering, also the dating and the signing of checks, will not be mentioned hereafter. Have checks O. K.'d in every instance and file in proper manner.

*The columns on the credit side of the Cash Book are somewhat condensed and the Explanation column is omitted in order to maintain uniformity in the size of the blank books. Write the explanation, in very brief form, directly after the name of the account.

No. 11. The yard and office have been leased for a term of years from the owner, Mr. E. D. Jones, at an annual rental of \$1200, payable in quarterly installments of \$300 each. Pay, by check, the rent for the first quarter.

Charge Rent account, enter in Sundries column and post the entry.

No. 12. Pay by check the premium on \$8400 insurance placed on the stock of lumber, barn equipment, etc., amounting to \$168.

Make the check payable to the agent, H. Pennypacker, who will settle with the various insurance companies. Charge Insurance account. All General Ledger items to be posted are to be placed in the Sundries column. Post the entry.

MAY 2

Receive an order from the Mann Lumber and Coal Co., Freeport, Ill., taken yesterday and sent in by salesman Bowen. (No. 1.).

Detach the order from the pad in your outfit. Read, very carefully, "The Loose-Leaf Order System" on page 5.

The order, as you see, has been filled out by the salesman. Mr. Cross has stamped upon it "May 2, '908," as the date received in the office; he has also stamped "1" in the Register No. space, this being the number it received when being registered in an Order Register. He has passed upon the customer's credit by writing his initials, "M. B. C.," in the Credit O. K. space and has marked in the Rate space the freight rate at which the freight on this order is to be billed by the railroad company, viz. "5¢," meaning 5¢ per 100 lbs.

Since, in the lumber business, it is not practical to send the original order blank to the yard to be filled, the items of the order are copied on a piece of heavy card board of convenient size to be carried about in the yard. This card is called a Loading Ticket (see Form D, Loading Ticket).

**M. B. CROSS LUMBER CO.
LOADING TICKET**

ORDER No. 1 DATE REC'D May 2 1908
 FOR Mann Lumber & Coal Co.
 ADDRESS Freeport Ill.
 SHIP BY GMW R. R. SHIP ABOUT May 5 1908

ORDERED					
INCHES	FEET	THICK IN.	WIDE IN.	LONG FEET	GRADE OR DESCRIPTION
10		4	6	12	#1 Pine rgh
20		2	12	12	#1 . . .
50		2	8	14	#1 . . .
2000		2	4	14	#1 . . . SIBIE.
7000		2	6	16	#1 . . . rgh.
500		2	4	14	Good #1 Pine, dnd.
4500		1	6	16	#1 Sec. 3/4 rgh.
300		1	4	14	#1 . . . dnd

O.K. MBC

FORM D—LOADING TICKET

**M. B. CROSS LUMBER CO.
TALLY**

ORDER No. 1

SHIPPED						
INCHES	FEET	THICK IN.	WIDE IN.	LONG FEET	GRADE OR DESCRIPTION	EST WEIGHT LBS.
10		4	6	12	#1 Pine rgh	570
20		2	12	12	. . . .	1190
50		2	8	14	. . . .	2320
2000		2	4	14	. . . . SIBIE	5180
125		2	6	16	. . . . rgh	4970
56		2	4	14	Good #1 Pine dnd	1300
563		1	6	16	#1 Sec 3/4 rgh	11200
60		1	4	14	#1 . . . dnd	700
						<u>27450</u>

DATE SHIPPED May 6 1908 SHIPPED BY GMW R. R.
 CAR NO. 3940 INITIALS GMW
 LOADED BY Thomas Bowen

FORM E—TALLY

Several items in the order call for dressed lumber, viz., 2000 feet of 2x4x14 #1 Pine S1S1E, meaning "surfaced one side and one end;" also 500 feet of 2x4x14 Good #1 Pine S2S, meaning "surfaced two sides;" and 300 feet of 1x4x14 #1 Fcg. S2S. For the lumber to be dressed a Mill Ticket is made out and is sent to the planing mill with the lumber. Mill tickets are usually made out in triplicate, the original being retained in the office and the others sent to the mill. The duplicate is returned by the driver, receipted, and the triplicate is returned at the end of the month, attached, with others, to the bill of the planing mill company, to be checked up with the tickets in the office.

When being loaded, the lumber, as it is taken from the various piles in the yard, is listed on the back of the Loading Ticket, called Tally, together with the estimated weight. The date of shipment, the railroad company by which shipment was made, and the number and initials of the car in which it was loaded are recorded on this ticket. It is signed by the yard foreman or other responsible person. (See Form E, Tally, page 11.)

The Tally thus furnishes the records which are to complete the order blank.

Since no actual Loading or Mill Tickets are to be made out in this set, nothing is to be done with the order blank at present. Place the blank, temporarily, in the Tickler (pocket No. 1) in the Pocket File, pending shipment.

No. 13. This being Saturday, pay the weekly salaries due by check.

Draw a check for \$8.33 in favor of foreman Brown and charge to Yard Expense, checking the entry. Draw a check for \$6.67 in your own favor, charge Salary account, enter in Sundries column and post the entry. Make proper Bank column entries.

MAY 4

Receive an order from the Rockford Furniture Co., Rockford, Ill., sent in by salesman Bowen (No. 2.)

A Loading Ticket and a Mill Ticket are required for this order, the same as for order No. 1. Since, however, such tickets are not actually to be made out in this set nothing further is to be done. No mention will be made of them hereafter. Place the order in pocket No. 1, pending shipment.

MAY 6

Receive an order, through the traveling salesman, from the Central Lumber Co., Dixon, Ill. (No. 3).

File in the Tickler. Place all orders received in the Tickler until shipped.

No. 14. Order No. 1 has been shipped.

This is evidenced by the return of the Loading Ticket for this order by the foreman. The car in which it was loaded has been transferred by the C. B. & Q switching force from the yard to the tracks of the C. & N. W. Ry., over whose line it was shipped.

Remove order blank No. 1 from the Tickler. Insert in their proper spaces in the center of the heading the various shipping records, as shown by the Tally (see Form E, Tally, page 11), viz.: Date shipped, May 6; Shipped by, C. & N. W.; Estimated weight, 27450 lbs.; Car No., 3940; Car Initials, C. & N. W. Then insert in the Pieces column under the heading Shipped in the body of the blank the pieces of lumber shipped as shown by the Tally, viz.: 10 pieces of item 1, 20 pieces of item 2, 50 of item 3, 223 of item 4, 125 of item 5, 56 of item 6, 563 of item 7 and 60 of item 8.

Compute now and enter in the Feet column under the heading Shipped the number of board feet in each item.

A board foot is 1 foot long, 12 inches wide and 1 inch thick.

To find the number of board feet in a piece of lumber, multiply the length in feet by the width in inches by the thickness in inches and divide by 12.

To find the number of board feet in two or more pieces, multiply the foregoing product by the number of pieces.

Thickness less than one inch is counted as one inch.

The "give and take" rule is applied, i. e., if the fractional part of a foot is half or more, it is to be taken as a foot; if less than half it is disregarded.

In computing the feet use the cancellation method whenever applicable. For instance, instead of multiplying $4 \times 6 \times 12 \times 10$ and dividing by 12, use $\frac{4 \times 6 \times 12 \times 10}{12}$ or $(4 \times 6) = 24 \times 10 = 240$ feet (first item in order No. 1); or $2 \times 12 \times 20 = 480$ feet (item No. 2); $16 \times 125 = 2000$ feet (item No. 5); $8 \times 563 = 4504$ feet (item No. 7). These cancellations, with a little practice, may be made mentally. Simply omit to multiply and divide by the whole or any factors of 12 when they occur in both numerator and denominator.

Having computed the board feet, compute now the amounts and extend them in the Amount column. Foot both the Feet and Amount columns.

Next figure the freight, 27450 lbs estimated weight at 5¢ per 100 lbs., and enter the amount in the space provided for it on the blank. Subtract the amount of freight from the amount of the order and enter the net amount on the Net line.

Having thus completed the order blank an invoice is made out and sent to the customer. The terms of this invoice are: 60 days net, or 2% for cash in 10 days, after freight has been deducted. These are the terms upon which all bills for lumber are sold and which are called "Regular." If not paid in cash within ten days, it is customary to settle the invoice by note. The invoice also requests a prompt return of

M. B. CROSS LUMBER COMPANY WHOLESALE LUMBER

SALESMAN Bowen

22d and Fisk Streets

SHIPPED BY C. & N. W. R. R.

CHICAGO, May 6, 1908,

CAR No. & INT. 3940, C. & N. W. SOLD TO Mann Lumber & Coal Co.,

ESTIMATED WGT. 27450 LBS.

ADDRESS Freeport, Ill.

F. O. B. Freeport

TERMS: } 60 days net, or 2% for cash in 10 days. Cash discount allowed only on net amount after freight is deducted. Return receipted freight bill promptly.

DIMENSIONS			GRADE OR DESCRIPTION	SHIPPED		PRICE	AMOUNT
INCHES		FEET		PIECES	FEET		
THICK	WIDE	LONG					
4	6	12	#1 Pine, sgh.	10	240	20.25	486
2	12	12	" " "	20	480	24.00	1152
2	8	14	" " "	50	933	19.50	1819
2	4	14	" " S1 S1 E.	223	2081	18.50	3850
2	6	16	" " sgh.	125	2000	19.00	388
2	4	14	Good #1 Pine S2 S.	56	523	19.00	994
1	6	16	#1 Reg. Pdg. sgh.	563	4504	28.00	12611
1	4	14	#1 Reg. S2 S.	60	280	24.00	672
							25384

FORM F—INVOICE

the receipted freight bill which is to be credited to the customer's account. (See Form F, Invoice). Since writing the invoice is, substantially, making a copy of the order blank, it is, in this set, not required of the student. It is supposed, however, that an invoice was made out and sent, and the date of billing (shipping) is to be inserted in the space provided for it on the order blank. Therefore, insert in the Date Billed space "May 6."

Now give this order a *new* number, a Binder Number. When Mr. Cross purchased the business of W. A. Johnson & Co., the order blanks in use by W. A. Johnson & Co., and other records, were turned over to Mr. Cross to enable the latter to make reference to previous orders, etc., if necessary. It is deemed advisable to continue numbering the order blanks for the binder in the same numerical order as kept, or rather left off, by W. A. Johnson & Co. Their last number was 217. The number to be given the order blank before you, would, therefore, be 218. Enter this number in the Binder No. space on the blank.

You are now ready to post. Turn to your Sales Ledger (blank book No. 2, section 2, part 1) and open the first account with the Mann Lumber and Coal Co., Freeport, Ill. Number the account No. 1. Index the account at once, using the prefix "S" to distinguish it from a Purchase Ledger account, which has the prefix "P". Enter the date in the Date column. "N 60-2/10" in the Items column (meaning: Note 60 days, 2% 10 days), the *Binder No.* of the order "218" in the Folio column and the *total* amount of the order, \$253.84, in the Debits column. Repeat this amount in the Balance column. Enter the account No. (No. 1) in the Account No. space on the order blank.

Record this order in the Sales Distribution Book (blank book No. 1, pages 18 and 19), making correct entries in the several columns, thus: "May 6" in the Date Shipped column, "218" in the Binder No. column, "27450" in the Estimated Weight column, "5" in the Rate column, "\$240.11" in the Mdse Sales column, \$13.73 in the Out-Freight column, \$253.84 in the Accounts Receivable column and the number of feet of lumber sold, 11041, in the Lumber column.

Place the order in the binder, by removing the top and passing the posts through the perforations in the order blank, face up, and replacing the top.

No. 15. Order No. 2 has been shipped.

The Tally for this order shows May 6 as the shipping date, the C. & N. W. Ry. as the railroad by which shipment was made, the Car No. and Initials to be, 3752, C. & N. W., the estimated weight, 41450 lbs. and the lumber shipped as follows (in the order of the items on the order blank): 2000-2000-1980-2700-2200-2170-2005-1516 feet.

Take order No. 2 from the Tickler and insert the Tally records, figure and extend the amounts and foot both the Feet and Amount columns. Figure the estimated freight and subtract the amount from the amount of the order.

Insert in the Date Billed space "May 6", as the date billed (shipped), and "219" in the Binder No. space, the new number given the order blank. Continue numbering future orders in rotation.

Open account No. 2 in the Sales Ledger with the Rockford Furniture Co., Rockford, Ill., index the account and post the gross amount of the order, \$994.62, to the debit of the firm, extending the amount also in the Balance column.

Enter the order in the Sales Distribution Book in exactly the same manner as order No. 218 and place the blank in the binder, face up, on top of No. 218.

MAY 7

Receive an order from the Stevens Lumber Co., La Salle, Ill. (*No. 4*).

MAY 8

No. 16. A letter, dated May 7, is received from the Central Lumber Co., Dixon, Ill., requesting the cancellation of their order of the 5th inst. Reply to this letter, stating that the order has proceeded so far as to render it impracticable to comply with their request.

Two good reasons that could be advanced are: The order calls for dressed lumber, the stock for which was selected and sent to the planing mill promptly on receipt of the order. The car is loaded, ready to be switched and forwarded. Express the hope that it will not seriously inconvenience them to comply with the terms of purchase, etc. Submit this letter to your teacher for criticism.

Nos. 17 and 18. Mr. Cross is to be reimbursed for a number of small items of expense, such as postage stamps, car fare, ink, etc., for which he has paid with currency from his private funds since the first of the month, amounting to \$4.20.

The system employed in this set requires that all cash received must be deposited and that all disbursements of cash must be made by check. There are, however, in every business House little items of expense which cannot very well be paid by check and it is desirable that a small amount of currency be kept on hand with which to pay such items.

This necessitates the keeping of a Petty Cash Book. A check is drawn in favor of "Currency", the currency is procured from the bank and an entry of it is made on the debit side of the Petty Cash Book. Payments are entered on the credit side of the Petty Cash Book in a similar manner as in the regular Cash Book. An account with Petty Cash is kept in the General Ledger and checks drawn are posted to the debit of that account. At the end of the month a Journal entry is made, crediting Petty Cash account and debiting General Expense account (or other accounts, as may be required) for the amount of petty cash used.

Draw a check for \$10 in favor of "Currency," charge Petty Cash account, entering the amount in the Sundries column, and post the entry.

Take the check to your teacher and have him cash it for you.* Turn to your Petty Cash Book (blank book No. 1, page 24) and enter the amount on the left-hand (Dr.) side, giving "Cash" as an explanation and dating the entry. No posting is to be made. (Petty Cash Books are usually about the size of a bank pass book. For convenience and economy the last page in blank No. 1 has been used for this book.)

Pay Mr. Cross \$4.20 from petty cash and make entry for the payment on the right-hand (Cr.) side giving as an explanation "Mr. Cross, for sundry items since May 1." No posting is required.

File the currency paid in the Miscellaneous pocket and place the remainder in the Cash Drawer.

No. 19. Pay R. M. Gray & Co., \$8.75, by check, for feed.

Refer to transaction No. 9 and dispose of this case in a similar manner.

Receive an order from the Eureka Lumber and Fuel Co., Streator, Ill. (No. 5)

MAY 9

No. 20. Pay from petty cash for rubber stamp, 20¢, ink pad, 15¢, pins, 10¢, library paste, 25¢.

Make entries in Petty Cash Book and transfer the currency from the Cash Drawer to the Miscellaneous pocket.

No. 21. Order No. 3 has been shipped.

Tally Record: Car No. and Initials, 1615, C. & N. W., Estimated weight, 37900 lbs.; Lumber shipped: 625-314-385 pieces. Since the date shipped is always the date of the transaction and since the railroad by which shipment is made will always be the same as the one already given on the order blanks, these will be omitted from the Tally Records. The feet or pieces of lumber shipped will always be given in the order in which the items appear on the order blank.

Compute the board feet, figure and extend the amounts, foot the Feet and Amount columns, figure the freight and subtract it from the order.

Open an account with the Central Lumber Co. Dixon, Ill., in the Sales Ledger (account No. 3), index the same, prefixing "S" and post the order.

Enter the sale in the Sales Distribution Book and place the order sheet in the binder.

No. 22. Order No. 4 has been shipped.

Tally Record: Car No. and Initials, 3651, C. R. I. & P; Estimated weight, 45700 lbs.; Lumber shipped: 36-351-25 pieces—9000 feet.

Treat this order the same as former orders. Open an account with the Stevens Lumber Co., La Salle, Ill., index, post, enter the sale in the Sales Distribution Book and place the order sheet in the binder.

No. 23. Pay the weekly salaries by checks. Payroll of yard men, \$140; Thomas Brown, the foreman, \$25, yourself, bookkeeper, \$20.

Draw the checks. Make the payroll check in favor of "Payroll." The currency will be drawn from the bank and the wages of the men put in Pay Envelopes. Thomas Brown, who keeps the Time and Payroll Sheets (see Form G, page 16), will attend to paying the men.

Make three Cash Book entries, charging the wages of the yard men and Thomas Brown's salary to Yard Expense account and your own salary to Salary account. Post the latter entry and check the former entries.

*Your teacher will hand you the currency required. If he does not desire you to handle actual currency, receive and pay petty cash by simply making a record of the items in your Petty Cash Book.

No. 24. Receive an expense sheet from salesman Bowen for traveling expenses from May 1 to May 8, inclusive, \$35.50.

The M. B. Cross Lumber Co. requires expense sheets to be sent to the House every Friday evening in order to enable the bookkeeper to complete the weekly entries on Saturday, therefore, their sheets are designed to run from Saturday to Friday. The more general custom is to have reports sent in Saturday

M. B. CROSS LUMBER COMPANY

PAY ROLL, WEEK FROM May 4 TO May 9, 1908 SHEET No. 1

NO.	NAME	HOURS							RATE C.	AMOUNT	ADVANCES	BALANCE DUE	RECEIVED PAYMENT
		MO.	TUE.	WED.	THU.	FR.	SAT.	TOTAL					
1	Wilson, Nick	9	9	9	9	8	9	53	75	13 75		13 75	Nick Wilson
2	O'Brien, Tom	9	9	9	9	9	9	54	75	13 50		13 50	Tom O'Brien
3	Borgeson, Eric	9	9	5	9	9	9	50	20	10 00		10 00	E. Borgeson
4	Deschler, Chas	9	9	9	9	9	9	54	25	13 50		13 60	Chas. Deschler
5	Mead, Will	9	-	-	9	9	9	36	25	9 00		9 00	Will Mead
6	Peterson, John	9	9	9	9	9	9	54	25	13 50		13 50	John Peterson
7	Zolowsky, John	9	9	8 1/2	8 1/2	9	9	53	20	10 60		10 60	John Zolowsky
8	Carroll, Andrew	9	9	9	9	9	9	54	25	13 50		13 50	A. Carroll
9	Martelli, G.	9	9	9	9	7	9	52	20	10 40		10 40	G. Martelli
10	Murphy, P.	9	8	8	8	9	9	51	25	12 75		12 75	P. Murphy
11	Kuennen, B.B.	-	8	9	9	9	9	44	25	11 00		11 00	B.B. Kuennen
12	Stein, Ed.	-	9	9	9	9	9	45	20	9 00		9 00	Ed. Stein.
TOTALS		90	97	93 1/2	106 1/2	105	108	600		140 00		140 00	

O. K. Thomas P. Brown FOREMAN PAID (DATE) MAY 9 - 1908 BY CHECK No. 17

FORM G—PAY ROLL

or Sunday evenings, the week running from Saturday to Sunday, or from Monday to Sunday, in which case entries cannot be made until the following Monday. Travelers' Expense Sheets require detailed reports on stopping places, railroad fares, hotel expenses, baggage, bus, car fares and incidental expenses,

also a recapitulation, showing the balance of cash on hand or the amount due the traveling man (see Form H, Travelers' Weekly Expense Sheet).

Make Journal entry. Date it properly. Charge Traveling Expense account and credit E. B. Bowen's account. Both are General Ledger accounts, therefore both amounts are to be placed in the General

M. B. CROSS LUMBER COMPANY—TRAVELERS' WEEKLY EXPENSE SHEET

TRAVELER E. B. Bowen. BALANCE ON HAND LAST REPORT . . . \$ _____ DUE ME LAST REPORT . . . \$ _____
 RECEIVED (DATE) 5/1 \$ 100.00 RECEIVED (DATE) . . . \$ _____
 TOTAL \$ 100.00 TOTAL \$ _____
 EXPENDED, AS PER THIS SHEET . . . \$ 35.50 EXPENDED, AS PER THIS SHEET . . . \$ _____
 BALANCE ON HAND \$ 64.50 BALANCE ON HAND \$ _____
 DUE ME \$ _____ DUE ME \$ _____

WEEK FROM May 1, May 8, 19__

DATE	PLACE	R. R. FARE	HOTEL	BARBER BUS CAR FARE	INCIDENTALS MEALS	TOTAL	REMARKS
May 1	Rockford, Ill.	332	Grand Central	3.00	75 R.R. Funds	75	6.90
	Rockford, Ill.	81	Nelson	3.00	75 Postage	75	4.18
May 3	Rockford, Ill.		Nelson	3.00			3.00
	Dr. Hall, Ill.	126	Dr. Hall	1.50	70		2.96 No Business
May 4	Rockfalls, Ill.	60	Nicolett	7.50	Postage	10	3.70
					Telephone	10	
May 5	Dixon, Ill.	57	Chicago	7.50	70 Postage	06	3.43
May 6	So. Dallas, Ill.	124	Needham	3.00	70 Postage	10	4.50
May 7	Streator, Ill.	78	Oxford	7.50	75 Postage	25	3.51
May 8	Eureka, Ill.	114	Vendome	7.50	10		3.74
TOTAL		977		73.50	145	78	35.50

FORM H—TRAVELERS' WEEKLY EXPENSE SHEET

Ledger columns. Supply proper explanation. Rule up. (See Form C, Journal, page 9.) Post the entries.

MAY 11

Receive an order from Kingman Bros., Peoria, Ill. (No. 6).

No. 25. Order No. 5 has been shipped.

Tally Record: Car No. and Initials, 2903, C. B. & Q.; Estimated weight, 31300 lbs.; Lumber shipped: 1260-1202-1800-1804-1801-1500-1518-1013-621 feet.

The Tally also states: "First item resawed and S2S to 1/2 in., second item resawed and S2S to 3/4 in." Write this in the Remarks space in the lower left-hand corner of the order sheet.

Open an account with the Eureka Lumber and Fuel Co., Streator, Ill. No mention will be made hereafter of opening accounts. This is always to be done immediately after an order has been shipped.

No. 26. Pay by check a bill for printing, \$4.50, to the W. P. Dunn Co.

(Charge General Expense account.)

the amount in the Sundries column. Write in the Account column on the same line with the amount in the Total column "Cash Received." Extend in order all footings on the credit side (except those of the Bank columns) into the Sundries column, beginning with the Purchase Ledger, Cash, column. In entering these amounts write the headings of the columns in the Account column. Substitute "Accounts Payable" for Purchase Ledger, Cash, for "Accounts Payable" is the title of the account representing the Purchase Ledger. Foot the Sundries column, draw a single red line beneath the last entry in this column and write the amount on the line below. On this line in the Account column write "Cash Paid." On the line below enter in red ink the balance, previously ascertained and shown by the Balance column under the heading Bank, using "Balance" in the Account column and checking the entry. Rule a single red line below this entry, also draw a single red line on the same line through the Total column on the debit side. Enter the totals, which are the same on both the debit and credit sides, on the line below and rule a double red line through the money, date and folio columns on both sides, also through all the Bank columns. Close the Bank columns by subtracting the amount of the Checks column from the amount of the Deposits column and entering the difference (the balance) in both the Deposits and Balance columns, between single and double rulings. Bring the balance down in black ink, entering it in the Total column, as of May 16 and check the entry. Also enter this balance in both the Deposits and Balance columns in the Bank section, making them *interlinear* entries (see Form I, Closing of Cash Book)

Post the several entries made in the usual manner, excepting to Cash account. "Cash Received," on the *debit* side, is posted to the *debit* side of Cash account and "Cash Paid," on the *credit* side, is posted to the *credit* side of Cash account.

No. 35. Make a temporary closing of the Journal.

Extend the red line, previously ruled below the last entry, through the money columns on both the debit and credit sides, thus ruling a single red line through the entire width of the page. Foot and enter the footings of the several columns on the line below. The aggregate of the debit and credit footings must, of course, agree. Write in the Credit Title column "Accounts Payable," first dating the entry, and enter the footings of the Purchase Ledger column in the General Ledger column. No explanation is necessary. Rule up in the usual way. (See Form C, Journal, page 9). Post the entry, using "Sundries" in the Items column.

No. 36. Close the Purchase Journal.

Draw a double red line through all columns. Make entries in the Journal, in the General Ledger columns, debiting Mdse Purchases account and crediting Accounts Payable account, for the amount shown

15	1	Barren Expenses - Monthly			2 75					15	2 75	4588 37
			4570 43	31 75	31 45	173 33	604 67	100 00			5411 63	4588 37
15	16	Accounts Payable					4570 43				5411 63	
15	10	General Expense					31 75				4588 37	4588 37
15	11	Barren Expenses					31 45					
15	11	Yard Expense					173 33					
15	1	Cash Paid					5411 63					
15	1	Balance (Ftd)					4588 37					
							100 00				4577 37	4577 37

FORM I—CLOSING OF CASH BOOK—CREDIT SIDE

by the Amount of Invoice column in the Purchase Journal, supplying the explanation: "As per Purchase Journal." Rule up and post the entries. No dating is necessary, as *one* dating for *all* closing entries is considered sufficient. Enter the amount of feet of lumber bought in the Stock Book (blank book No. 1, page 23) on the first Bought line in the Lumber column, dating the entry.

No. 37. Close the Sales Distribution Book.

Draw a single red line directly below the last entry through the entire width of the page. Foot the Mdse Sales, Out-Freight, Accounts Receivable and Lumber columns and rule immediately below double

red lines through the entire width of the page. The aggregate of the footings of the Mdse Sales and Out-Freight columns must equal the footing of the Accounts Receivable column. Make Journal entries debiting Accounts Receivable account and crediting Mdse Sales and Out-Freight accounts for the amounts shown in the Sales Distribution Book. Enter the amounts in the General Ledger columns. The explanation will be: "As per Sales Distribution Book." No dating is to be made. Rule properly. Post the entries. Enter the amount of feet of lumber sold in the Stock Book on the second, the Sold, line, dating the entry.

No. 38. Close the Notes Payable Book.

Foot the Amount column and close by ruling double lines through the Date, L. F. and Amount columns only. Make Journal entries, debiting Accounts Payable and crediting Notes Payable accounts. Enter both amounts in the General Ledger columns and use the explanation: "As per Notes Payable Book." Rule and post the entries.

No. 39. Close the Petty Cash Book.

Close this book in a manner similar to closing the regular Cash Book and bring the balance down. Make Journal entries, debiting General Expense account and crediting Petty Cash account, for the amount of petty cash used, placing the amounts in the General Ledger columns and supplying the explanation "As per Petty Cash Book." Post the entries.

No. 40. Make the final closing of the Journal.

Draw a single red line on the line below the last entry, through the General Ledger columns only, foot these columns, enter the footings, which must agree, and rule a double red line directly below through the entire width of the page. (See Form C, Journal, page 9.)

Ascertain whether all entries have been posted and complete the posting if any entries are found to have been omitted.

No. 41. Take a trial balance of the Sales Ledger.

In order to accomplish an independent balancing of the Sales Ledger it becomes necessary that an Accounts Receivable Proof account be opened and kept in the Sales Ledger. To this account are posted in total such items as have been posted to the individual accounts in detail, in other words, exactly the same entries are made in this account as have been made in the Accounts Receivable account in the General Ledger.

Open, as a *last* account, in the Sales Ledger an account with Accounts Receivable Proof. Enter in the Debits column the amount of accounts receivable as shown by the Sales Distribution Book and which have been entered in the Journal. Extend the amount in the Balance column. Since no payments have been made thus far or any other credits entered, this is the only entry to be made in this account at this time.

Turn to your Trial Balance Book (blank book No. 3). Pages 4 and 5 in this book are reserved for Sales Ledger trial balances. List *all* Sales Ledger accounts in their proper order in the wide column on the left-hand page and insert in the small column to the left of the wide column the account numbers. Date the trial balance by writing "May 15, 1908" in the heading of the first two money columns. Enter the amounts in the first, the debit, column and enter on the *last* line of the page in the second, the credit, column the amount found in the Balance column of the Accounts Receivable Proof account, leaving all intervening lines for accounts to be opened later. The amount entered in the credit column is, of course, not a credit but a debit and it is only entered in this column in order to have both columns show the same amount.

No. 42. Take a trial balance of the General Ledger.

Take this trial balance in the customary manner. Use only debit or credit balances, *not* both footings. Enter *all* accounts in the order in which they appear in the ledger, whether open or not, and leave lines blank for such accounts as may be required to be opened later. Place the ledger folios in the proper column and date the trial balance.

No. 43. Close the Stock Book.

Draw a single red line through the various columns and subtract the amount of feet of lumber sold from that of lumber bought and enter the difference on the next line (Balance line) below without further ruling. Date the Balance entry.

Submit your entire work to your teacher for approval.

RESULTS:

Footings of the Journal.....	\$20529.24
Footings of the Trial Balance, Sales Ledger.....	3915.06
Footings of the Trial Balance, General Ledger.....	19915.06

MAY 16

No. 44. Receive from the Mann Lumber and Coal Co., Freeport, Ill., a New York bank draft for \$233.45 and a receipted freight bill for \$15.63, in payment of invoice of May 6, less discount.

Detach paper No. 2 from the pad of incoming checks, notes and drafts, also detach freight bill No. 1 from the pad of incoming invoices, etc. Examine the draft as to whether it is properly made out and endorsed. Then examine the freight bill and verify its computations.

As previously explained, discount, if taken within the discount limit, 10 days, is computed on the amount of the invoice *after freight is deducted*.

Turn to the Mann Lumber and Coal Co.'s account in the Sales Ledger, deduct, on a piece of paper, from the amount shown therein the amount of the freight bill and figure the discount on the balance. After deducting the freight and discount, the balance is cash and, if found to agree with the bank draft sent, make entries in the Cash Book, crediting the Mann Lumber and Coal Co. Place the amount of the freight bill in the Out-freight column, the amount of discount in the Cash Discount column and the amount of the draft in the Cash column, all under the heading Sales Ledger and *all on the same line*. Place the bank draft in the Cash Drawer, pocket No. 5 in the Pocket File.

Post the entries. Beginning from right to left post first the cash, entering "Cash" in the Items column and placing the amount in the Credits column. Subtract the amount just entered from the amount shown by the Balance column above and enter the new balance in the Balance column. Next enter the discount in the Credits column, using "Dis" in the Items column, and subtract this amount from the amount in the Balance column. Lastly, enter the amount of freight in the Credits column, using "Frt" in the Items column and deduct from the amount in the Balance column. Since these two amounts agree dashes (—) are now drawn through the Balance column to indicate that the account is closed. *Do not rule up the account*. Postmark the entries properly. These items have been posted *separately* to the account in order to show in exactly what manner the account was settled.

Dispose of the freight bill. Turn to the Sales Distribution Book and compare the amount of the estimated freight for this order with the amount shown in the freight bill. The estimated weight and that charged for will usually differ slightly. When the difference, either way, is small, not to exceed 500 lbs., no account is taken of it, but when large a so-called "freight claim" is made. In the present case the difference is only 10¢, in favor of the firm, the difference in weight being 200 lbs. at the rate of 5¢ per 100 lbs., but the freight bill includes a charge of \$2 for switching, which was understood to have been included in the rate. A claim for rebate is, therefore, to be made for \$2.

No. 45. Make freight claim.

Take a sheet of letter paper and cut it to a so-called "¼" billhead, about 5x8 inches, rule it and make out a bill as per form shown on page 22 (Form J). Enter the claim in the Freight Claim Book (blank book No. 1, page 22), filling in the records in the several columns in proper manner. It is *our* claim No. 1. The railroad company will, in a few days, acknowledge receipt of the claim, giving *their* claim number which, when received, is entered in the R. R. Co.'s Claim No. column. File the freight bill in pocket No. 3 and the bill for overcharge in pocket No. 2 after being O'K'd by your teacher.

No. 46. Receive a Chicago bank draft for \$948.37 and a receipted freight bill for \$26.90 from the Rockford Furniture Co., Rockford, Ill., in settlement of invoice of May 6, less discount.

Detach from the pads draft No. 3 and freight bill No. 2. Figure the discount, make entries in the Cash Book, post and dispose of the matter in exactly the same manner as in the case of the Mann Lumber and Coal Co. (transaction No. 44). Remember that discount is to be figured *after* freight is deducted. Place the check in the Cash Drawer.

No. 47. Make freight claim.

Turning to the Sales Distribution Book you find the amount of estimated freight and the amount of the freight bill to differ to the extent of \$6.17. A comparison of the weights and freight rates shows that the weight differs only 50 lbs., which is not to be taken into consideration, but that the rate charged is 6¢, while it should have been only 5¢. A switching charge of \$2 is also made which was supposed to

Chicago, May 16, 1908.

Chicago and North Western Railway Co.,
Chicago, Ill.
Dr. to M. B. Cross Lumber Co.

Switching charge on Car. No. 3940, Way Bill
No. 0.55, date, May 7, Chicago to Freeport, Ill. \$2.00

FORM J—FREIGHT CLAIM BILL.

have been included in the rate. Figuring the railroad company's weight, 41500 lbs., at 5¢ per 100 lbs., produces an overcharge of \$4.15. A freight claim is to be made for this, plus the switching charges, a total of \$6.15. You may omit making out an actual bill for this and future bills for freight claims, as all will, substantially, be the same. Enter the claim in the Freight Claim Book as our claim No. 2 and file the freight bill in pocket No. 3.

Receive an order from Buckingham Bros., Indianapolis, Ind. (No. 10).

Receive an order from the Miller Bros. Co., Muncie, Ind. (No. 11).

Note that this order was received by mail and that no prices are given. These will be affixed later, after the order is shipped. File as usual.

No. 48. Order of Francis Beidler & Co., W. 22d and Loomis Sts., Chicago, items not in stock to fill order No. 10.

Write a letter ordering the following : 1000-14"x14"x34' Clear and Select Pickets, D. & M. Pat. #9, also 1000-4"x16" Sq. Butt-Extra Dim. Dressed Pine Shingles. Request that delivery be made at once, if possible, and that the order be charged to the firm. Submit the letter to your teacher for approval.

No. 49. Order No. 9 has been shipped.

Tally Record: Car No. and Initials, 956, C. C. C. & St. L.; Estimated weight, 31350 lbs.; Lumber shipped: 2020-2010-1008-2000-1010-1006-2000-1494 feet.

This order, although No. 8 has not yet been shipped, receives the *next* binder number, No. 225.

No. 50. Pay the weekly salaries by checks. Pay roll of yard men, \$145, the foreman's salary, \$25, your salary, \$20.

Charge to proper accounts. Make entries in Bank columns.

No. 51. Draw a check for \$100 to be sent to the traveling salesman for expenses.

Charge to E. B. Bowen's account.

No. 52. Make deposit.

Remove the two drafts received from the Cash Drawer (pocket No. 5), endorse them, make out deposit ticket and have your teacher enter the deposit in your pass book. Enter the amount in the Deposits column under the heading Bank in the Cash Book, date the entry and add the amount to the amount in the Balance column. These are to be *interlinear* entries. File the drafts and the deposit ticket in the Bank pocket (pocket No. 4).

No. 53. Receive from E. B. Bowen an expense sheet for the week from May 9 to May 15, \$31.50.

Make Journal entry. Refer to transaction No. 24.

MAY 18

No. 54. Receive an invoice from The Kirby Carpenter Co., Menominee, Mich. (*No. 3*), dated May 15, terms, 60 days or $1\frac{1}{2}\%$ cash in 10 days, for 260900 ft. B. M. of lumber, amounting to \$3799.53.

Verify the calculations in this invoice and check (✓) each item as you verify it. When found correct, write upon the invoice "Calculation O. K. (your initials)." Foot the lumber column. Enter the invoice in the Purchase Journal, carefully making the entries in the various columns. File the invoice in pocket No. 3. Open an account with The Kirby Carpenter Co., Menominee, Mich., in the Purchase Ledger (account No. 2) and post the entry, dating it as of the date of the invoice, May 15.

No. 55. The shipment of lumber from The Kirby Carpenter Co. having arrived, pay by check the freight on it to the Goodrich Transportation Co., 260900 board feet @ \$2.50 per M., \$652.25.

Make entry, charging In-Freight account, and post the entry.

No. 56. Order No. 8 has been shipped.

Tally Record: Car No. and Initials, 1931, C. I. & L.; Estimated weight, 42350 lbs.; Lumber shipped: 94-72-63 pieces—4897-8000-507-504 feet.

No. 57. Receive an invoice from Francis Beidler & Co., Chicago (*No. 4*), dated May 18, for 1000 Pickets, \$21.50, and 1000 Shingles, \$3.90, total, \$25.40.

Detach the invoice, verify the calculations, O. K. the invoice, enter in Purchase Journal, open account, index and post. File in pocket No. 3. Follow closely instructions given with transaction No. 54. Apparently the terms of this bill are *net*, but there exists an understanding between the local dealers and their customers that the monthly accounts, if paid by the 15th of the following month, are subject to a cash discount of $1\frac{1}{2}\%$. Bear this in mind.

No. 58. Pay, by check, \$10 for a year's subscription to the Wilber Mercantile Agency.

Charge General Expense account.

MAY 19

No. 59. Receive a check for \$347.83 and a receipted freight bill for \$24.80 from the Stevens Lumber Co., La Salle, Ill., in settlement of invoice of May 9, less discount.

Detach check No. 4 and freight bill No. 5 from the pads, enter, post and file exactly as in previous transactions of this kind (Nos. 44 and 46). Enter in Freight Claim Book \$2 for overcharge for switching.

No. 60. Deposit the check just received.

The bank will charge a fee of 25¢ for collecting this out-of-town check in accordance with a schedule of charges adopted by the Chicago Clearing House Association. This fee is called "exchange." It should have been included in the check for a debtor is supposed to tender payment in funds current in the locality in which the creditor is established. It being a very small amount, however, Mr. Cross has decided to accept the check in full and charge General Expense account for the exchange. Pay the exchange with petty cash. Another way of paying exchange is by having the bank deduct the amount from the deposit. If such were done the system employed in this set would make it necessary to enter on the debit side of the Cash Book only the actual amount realized on the check, \$347.58, and credit the customer for 25¢ exchange through the Journal. To pay the exchange from petty cash is by far the better method.

No. 61. Order No. 10 has been shipped.

Tally Record: Car No. and Initials, 1017, C. C. C. & St. L.; Estimated weight, 27450 lbs.; Lumber shipped: 8024-3000-4035-2018 feet—63 pieces—3012 feet—1M.—1 M.

Extend the M. in the *Pieces* column.

Receive an order from the Fort Wayne Builders' Supply Co., Fort Wayne, Ind (*No. 12*).

Receive an acknowledgment of receipt of our claim for overcharge from the Chicago & North Western Railway Co., our claim No. 1, their claim No. 67593.

Enter their claim number in the proper column in the Freight Claim Book. Nothing else is to be done with the claim at present.

Receive an acknowledgment from the same railroad company of the receipt of our claim No. 2, their claim No. 67835.

Enter their number in the Freight Claim Book.

No. 62. Pay from petty cash, 10¢ for special delivery stamp, 25¢ for messenger service, \$1 for postage stamps.

No. 63. The petty cash fund being nearly exhausted, draw a check for \$10 to replenish it.

Follow instructions given with transaction No. 17. Return to your teacher all currency used, \$9.85.

MAY 20

No. 64. Not having heard from the Central Lumber Co., Dixon, Ill., to whom shipment was made on May 9, write them a letter requesting the return of the receipted freight bill and settlement of the invoice by either cash or note.

Submit the letter to your teacher for criticism.

No. 65. Receive from the Eureka Lumber & Fuel Co., Streator, Ill., a note for \$832.27 and a receipted freight bill for \$17.50, in settlement of invoice of May 11.

Detach note No. 5, also freight bill No. 6 from the pads. Observe that the note is dated as of the date of the invoice and is drawn without interest. This is in accordance with the terms upon which the sale was made. Enter the note in the Notes Receivable Book (blank book No. 1, pages 20 and 21, top) and post the entry to the Eureka Lumber & Fuel Co.'s account. Place the note in pocket No. 5. Enter the amount of the freight bill in the Out-Freight column in the Cash Book and post the entry. Enter a freight claim for \$2 switching charges. File the freight bill.

MAY 21

No. 66. Receive from Kingman Bros., Peoria, Ill., a Chicago bank draft for \$256.30 (*No. 6*) and a receipted freight bill for \$22.40 (*No. 7*), in settlement of invoice of May 12, less discount.

Dispose of the remittance and freight bill in exactly the same manner as previous payments. Enter freight claim for switching, also note the rate. Enter freight claims for switching or overcharge whenever necessary in future cases. No mention will be made of them hereafter.

No. 67. Order No. 11 has been shipped.

Tally Record: Car No. and Initials, 1725, P. C. C. & St. L.; Estimated weight, 33700 lbs.; Lumber shipped: 20-100-100-300-100 pieces—2504-600-618-1004-1010-504-3500 feet.

Note that no prices were given on this order. The order had been received by mail from the Miller Bros. Co. direct and prices had not been agreed upon. You are to affix the prices from a series of 12 price lists to be given you by Mr. Cross, represented by your teacher. Ask your teacher to assign to you one of these price lists and use *this list number now and in all future orders without prices given*. The use of this list will make your results differ from those of other students using other lists. For the present order use the figures given in the column bearing your list number in the table on the following page:

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	24.50	24.75	23.75	24.25	25.00	24.50	23.75	24.25	24.75	23.50	25.00	24.75
2	21.00	20.75	21.25	21.50	20.50	22.00	20.25	21.00	20.25	21.25	21.50	20.75
3	22.00	21.25	21.75	22.50	21.50	22.25	22.75	22.00	21.25	22.25	21.50	22.50
4	21.00	21.25	21.50	20.50	22.00	20.25	21.00	21.25	21.50	21.75	20.75	21.50
5	20.00	20.25	19.75	20.25	19.50	20.50	19.25	20.75	21.00	19.75	20.00	20.25
6	18.00	18.25	17.75	18.50	17.50	18.75	19.00	17.50	17.25	18.00	17.75	18.50
7	19.50	19.25	19.00	19.75	20.00	18.75	18.50	19.50	19.75	20.25	20.50	19.75
8	42.00	41.75	42.25	42.50	41.50	41.25	42.25	41.00	42.75	42.50	41.75	42.25
9	24.75	24.50	24.25	25.00	25.25	24.50	25.50	24.75	25.75	24.50	23.75	24.50
10	21.50	21.25	22.00	22.25	21.75	22.00	22.25	22.50	20.50	20.75	21.00	21.50
11	22.00	21.75	22.50	21.50	22.25	22.75	22.00	21.25	22.25	21.50	22.50	22.25
12	22.75	23.00	22.50	23.25	22.25	21.75	22.00	23.50	23.75	22.50	22.75	23.00

Receive an order from the Stevens Lumber and Coal Co., Logansport, Ind. (No. 13).

Receive an acknowledgment of receipt of claim from the Chicago, Rock Island and Pacific Railway Co., our claim No. 3, their claim No. 75940.

No. 68. Pay by check to the Consumers Company bill for water supply and ice service, \$2.45.

Charge General Expense account.

MAY 22

Receive an order from Craig and Johnson, Pontiac, Ill. (No. 14).

No. 69. Order from the Garden City Paving and Post Company, 167 Dearborn St., Chicago, posts for order No. 14, not carried in stock.

Write a letter, ordering 50-6"-7' Cedar Posts. Submit it to your teacher for approval.

Receive an acknowledgment from the Chicago, Burlington and Quincy Railroad Co., of our claim No. 4, their claim No. 90543.

MAY 23

Receive an order from the Farmers' Lumber Co., Springfield, Ill., sent in by mail direct (No. 15).

No. 70. Order from Arthur Gourley Company, Loomis and 22d Streets, Chicago, shingles ordered by the Farmers' Lumber Co. but not carried in stock.

Order 2000-6x16 Redwood Dim. Shingles, Pat. #4. Have your teacher approve the letter.

No. 71. Receive from the Star Lumber and Hardware Co., Danville, Ill., a note for \$466.63 (No. 7) and a receipted freight bill for \$28.32 (No. 8) in settlement of invoice of May 14.

Follow exactly instructions given with transaction No. 65. Dispose of the papers in proper manner. Are you making freight claims when necessary?

No. 72. Order No. 12 has been shipped.

Tally Record: Car No. and Initials, 1985, P. F. W. & C.; Estimated weight, 42800 lbs., Lumber shipped, 100-215-375 pieces—1000-1005-1002-1014-1005-1005-1024 feet—182 pieces.

No. 73. Order No. 13 has been shipped.

Tally Record: Car No. and Initials, 1343, P. C. C. & St. L.; Estimated weight, 40400 lbs., Lumber shipped, 40-4-34-10-80-5-106 pieces—508-6704-3321-1001 feet.

No. 74. Pay to J. M. Rhodes, \$14.25, by check, for feed.

No. 75. Pay by check the invoice of The Kirby Carpenter Co. of the 15th inst., less discount.

Referring to the Purchase Journal you find that the discount date of this invoice is May 25. The remittance should be sent in time to reach the creditor when the bill is due. In this case, since advantage is to be taken of the discount, the remittance should reach The Kirby Carpenter Co. not later than May 25. Figure the discount, draw the check and make Cash Book entries. Place the amount of the check in the Cash column and the discount in the Cash Discount column under the heading Purchase Ledger. Post to The Kirby Carpenter Co.'s account in the Purchase Ledger in exactly the same manner as you have posted payments and discounts to Sales Ledger accounts, entering in this case, of course, the payment and discount in the Debits column. Draw dashes through the Balance column to show that the account balances.

Chicago checks are current in Menominee, Mich., therefore, it is not necessary to buy a bank draft or include exchange in the check.

No. 76. Draw a check for the payroll of the yard men, \$320. Pay the usual weekly salaries by checks.

No. 77. Receive from salesman Bowen an expense sheet for the week May 16 to 22, \$29.45.

No. 78. Make deposit.

No. 79. Prove your cash.

Foot, in light pencil figures, all columns of the Cash Book, including the Deposits and Checks Columns in the Bank section. Add, on a piece of scratch paper, the footings of the Sales Ledger, Cash, and the General Ledger, Sundries and Total, columns on the debit side and compare with the footing of the Deposits column. They must agree. Then add the footings of the several columns on the credit side (excluding the Cash Discount column) and compare with the footings of the Checks column. They, too, must agree. Subtract the footing of the Checks column from the footing of the Deposits column (on scratch paper, *not* in the Cash Book) and compare with the amount shown by the Balance column. Do they agree? They should, of course, but if they do not, there is somewhere a mistake in addition or subtraction in the Balance column and the error or errors should be corrected at once. What is the amount shown by the Balance column? \$****.3. Do not rule up the Cash Book.

MAY 25

No. 80. Pay from petty cash, 35¢ for a telegram, 10¢ for car fare, 50¢ for a bottle of red ink.

No. 81. Receive an invoice, dated May 23, from the Garden City Paving and Post Co., Chicago, (No. 9) for 50 Cedar Posts @ 26¢, \$13.

Always enter and post as of the date of the bill. The date when a bill is received is absolutely immaterial for the records. Remember that the monthly accounts of all local dealers are subject to 1½% cash discount if paid by the 15th of the following month.

No. 82. Receive an invoice, dated May 23, from the Arthur Gourley Co., Chicago, (No. 10) for 2000 shingles @ \$3.65 per M, \$7.30.

No. 83. Receive a remittance from the Chicago & North Western Railway Co. for \$8.15 in settlement of claims, their Nos. 67593 and 67835.

Detach paper No 8. It is a so-called "freight claim department draft." Make entry for it in the Cash Book, placing the amount in the General Ledger, Sundries, column and crediting Out-Freight account. Post the entry. Record this payment in the Settlement columns in the Freight Claim Book, comparing data as to the railroad company's freight claim numbers, etc.

Receive an order from the East St. Louis Lumber Co., East St. Louis, Ill., sent in by mail (No. 16).

MAY 26

Receive an order from the Gate City Lumber Co., Keokuk, Ia. (No. 17).

No. 84. Order from Francis Beidler & Co., Chicago, 30 M-16" F. B. Co. *A* W. C. shingles, needed for filling order No. 17.

Have your teacher approve the letter.

No. 85. Order No. 14 has been shipped.

Tally Record: Car No and Initials, 2135, C. & A.; Estimated weight, 45100 lbs., Lumber shipped, 3281-962-4022-733 feet—21-188-313 pieces—860 feet—50 pieces—5000 feet.

No. 86. Order No. 15 has been shipped.

Tally Record: Car No. and Initials, 691, C. & A.; Estimated weight, 44650 lbs., Lumber shipped, 50 pieces—4000 feet—105 pieces—1000-1000 feet—182 pieces—1000 feet—313 pieces—2 M.

This is an order without prices given, sent by mail. Supply the prices from the lists below and be sure to use the same list number which was assigned to you by your teacher and which was used by you with order No. 11. Use no other list.

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	28.50	28.25	28.00	28.75	28.50	27.50	27.75	28.25	28.75	29.00	29.50	29.25
2	25.50	24.50	25.00	24.75	25.25	25.75	26.50	26.00	26.25	25.75	25.50	24.75
3	24.75	24.25	24.50	24.00	23.75	24.00	24.50	24.25	25.00	25.50	25.25	25.75
4	48.25	47.75	47.50	48.00	47.25	48.75	48.50	49.00	49.25	48.25	47.75	48.00
5	36.75	36.25	35.75	36.00	36.50	37.00	37.50	37.25	37.75	36.25	37.25	36.75
6	25.00	24.75	24.25	24.50	24.00	25.25	25.75	25.50	26.00	24.75	25.25	25.60
7	34.50	33.75	33.50	34.25	34.75	35.00	35.50	35.25	35.75	34.75	35.25	34.50
8	28.75	28.50	28.25	27.75	27.75	28.00	28.50	28.25	29.00	29.50	29.25	28.50
9	4.09	4.10	4.11	4.12	4.08	4.07	4.09	4.10	4.12	4.08	4.09	4.11

No. 87. Order No. 16 has been shipped.

Tally Record: Car No. and Initials, 1785, C. & A.; Estimated weight, 22600 lbs., Lumber shipped, 13-12-8-165-70 pieces.

Supply prices from the table below, using your list number.

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	26.50	25.75	25.50	26.00	26.75	26.25	26.75	27.00	27.50	27.75	26.50	26.75
2	30.25	29.75	30.00	30.50	29.25	29.50	30.50	30.75	31.25	31.00	30.50	29.25
3	28.25	28.00	27.50	27.25	27.75	28.50	28.75	29.25	29.00	28.00	28.50	28.75
4	25.00	24.75	24.50	24.25	24.00	25.25	25.75	25.50	26.00	25.75	25.25	24.75
5	25.00	24.50	24.25	24.00	25.25	25.75	25.50	26.00	25.75	25.25	24.75	24.50

Receive an acknowledgment from the Chicago & Eastern Illinois Railroad Co., of our claim No. 6, their No. 45371.

Receive an acknowledgment from the Chicago, Burlington & Quincy Railway Co., of our claim No. 5, their claim No. 90697

No. 88. Pay by check a bill of Cameron, Amberg & Co., \$3.40, for stationery, etc. Charge General Expense account.

MAY 27

No. 89. Mr. Cross has engaged Miss Margaret Ristau as stenographer, to begin work June 1, at a salary of \$10 a week. He has also purchased from the Remington

Typewriter Co., typewriter, desk and chair, amounting to \$143.50. Same having been delivered, pay the bill by check.

Charge Office Furniture account.

MAY 28

Receive an order from the Mississippi Lumber Co., Muscatine, Ia., (No. 18).

Receive an order from Johnson, Smith & Co., Davenport, Ia. (No. 19).

Flooring and shingles for this order, not kept in stock, have been ordered by Mr. Cross.

No. 90. Receive from the Hixon Sash and Door Co., Indianapolis, Ind., a bank draft for \$650.36 (No. 9) and a receipted freight bill for \$28.56 (No. 11), in settlement of invoice of May 16, less discount.

This remittance is two days late, the discount limit having expired May 26, but it is accepted and the discount allowed.

No. 91. Receive an invoice from Francis Beidler & Co., (No. 12) dated May 27, for 30000 shingles @ \$2.10 per M, \$63.

This is not for an order waiting to be shipped but has been ordered by Mr. Cross for stock.

No. 92. Receive a remittance from the freight claim department of the Chicago, Rock Island & Pacific Railway Co., (No. 10) for \$2, in payment of claim, their No. 75940.

Enter, post and make records the same as in transaction No. 83.

No. 93. Make deposit.

No. 94. Pay from petty cash, \$2 for postage stamps.

MAY 29

No. 95. Receive an invoice from Francis Beidler & Co., (No. 13) dated May 28, for 20000 shingles @ \$2.10 per M, \$42.

No. 96. Receive an invoice from the T. Wilce Co., Chicago, (No. 14) dated May 28, for 2100 feet flooring, @ \$31.50 per 1000 ft., \$66.15.

Both of the foregoing invoices were ordered to fill order No. 19.

No. 97. Pay by check to J. M. Rhodes, \$6.50, for feed.

No. 98. Receive a freight claim department draft from the Chicago, Burlington & Quincy Railway Co., (No. 11) for \$2, in settlement of claim, their No. 90543.

MAY 30

No. 99. Receive from the Colburn Mercantile Co., La Fayette, Ind., a note, dated May 18, for \$387.67 (No. 12) and a receipted freight bill for \$31.58 (No. 15), in settlement of invoice of May 18.

Enter the note in the Notes Receivable Book. Credit for freight is to be given through the medium of the Out-Freight column in the Cash Book.

No. 100. Salesman Bowen reports his expenses for the week May 23 to May 29 to have been \$26.65.

No. 101. Pay the weekly salaries by check. Payroll of yard men, \$286.

No. 102. Credit E. B. Bowen for his salary for May, \$100.

Make entry in the Journal, debiting Traveling Expense account. Mr. Cross considers it proper to charge the traveling salesman's salary to this account, instead of to the regular Salary account.

No. 103. Pay Mr. Bowen, by check, his salary for May.

Charge his personal account.

No. 104. Receive a remittance from the freight claim department of the Chicago, Burlington & Quincy Railway Co. (*No. 13*), for \$5.40 in settlement of claim, their No. 90697.

No. 105. Make deposit.

Nos. 106 and 107. Pay to the Chicago Planing Mill Co., by check, \$171.26, for mill work done during the month of May.

Enter in Purchase Journal, the same as a purchase of lumber, open an account as usual, draw a check, enter and post in the usual way.

Receive an acknowledgment from the Cleveland, Cincinnati, Chicago & St. Louis Railway Co., of our claim No. 7, their claim No. 51924.

No. 108. Close the Cash Book.

First foot all columns and transfer the footings to the next page. Then close the Cash Book as per instructions given with transaction No. 34. Extend the footing of the Sales Ledger, Cash, column on the debit side in the General Ledger, Sundries, column, writing "Accounts Receivable" in the Account column. Foot the Sundries column and extend the footing in the Total column *on the line below*, using "Cash Received" in the Account column. Pay no attention to the disposal of the footings of the Out-Freight and the two Cash Discount columns at this time. Close the Bank columns as you did on May 15 and bring all balances down as of June 1.

No. 109. Close the Purchase Journal.

Rule up properly by single and double rulings through the entire width of the pages, foot, make Journal entry and post. Enter the lumber bought in the Stock Book. Consult transaction No. 36.

Before making Journal entry, extend the red line made below the last entry through the money columns and foot the General Ledger columns, thereby temporarily closing the Journal. There are no amounts to be brought down from the Sales Ledger and Purchase Ledger columns. Remember one dating will suffice for all closing Journal entries.

No. 110. Close the Sales Distribution Book.

Follow exactly instructions given with transaction No. 37.

No. 111. Close the Notes Receivable Book.

Foot the Amount column and close by drawing double red lines through the Date, L. F. and Amount columns only. Make Journal entry debiting Notes Receivable account and crediting Accounts Receivable account. The explanation will be: "As per Notes Receivable Book."

No. 112. Dispose of the out-freight and the cash discounts in proper manner.

Cash Discount and Out-Freight columns are kept in the Cash Book as auxiliary columns, for convenience only. The several items have been posted to individual accounts in the Sales or Purchase Ledgers. The totals could have been posted to their proper accounts in the General Ledger at the time the Cash Book was closed and the final postings from this book were made, but this would have required *double* postings which is not in harmony with the accounting scheme followed in this set. To produce single posting, Journal entries must be made for these items.

Make Journal entries as follows: Debit Out-Freight and Cash Discount and credit Accounts Receivable accounts for the footings of the two columns on the debit side of the Cash Book, and debit Accounts Payable and credit Cash Discount accounts for the footing of the column on the credit side of the Cash Book. The explanation to these entries will be: "As per Cash Book."

No. 113. Close the Petty Cash Book.

Consult transaction No. 39. Do not close the Journal at this point.

Ascertain whether all entries have been posted. Complete the posting if any items are found to have been omitted.

No. 114. Take a trial balance of the Purchase Ledger.

Open, as a *last* account, an Accounts Payable Proof account in the Purchase Ledger and post to this account the total amount of purchases since last taking trial balances, May 15. Enter the amount in both the Credits and Balance columns. Make entry in the Debits column of the total amount of Cash paid, and the discount allowed the firm, subtracting the amounts, in the usual manner, from the amount in the Balance column.

Pages 2 and 3 in your Trial Balance Book are reserved for trial balances of the Purchase Ledger. List *all* accounts, whether they are open or not, in a manner similar to your listing Sales Ledger accounts when taking a trial balance of that ledger May 15. *All* accounts are listed for the reason that some or all of the accounts now closed may be open at some future time when a trial balance is to be taken and it is desirable that the accounts be listed in strictly numerical order. The amounts, are of course, to be placed in the credit column. Enter on the last line the balance of the Accounts Payable Proof account, placing it in the debit column in order to have both columns show the same amount. Date the trial balance.

No. 115. Take a trial balance of the Sales Ledger.

Post to the debit of Accounts Receivable Proof account, in total, the amount of sales and to the credit of this account, in total, the amount of cash paid by customers, the amount of notes received and the cash discounts and freights allowed customers. List all such accounts as have not already been listed and proceed to take the trial balance in exactly the same manner as you did on May 15.

No. 116. Take a trial balance of the General Ledger.

Consult transaction No. 42.

No. 117. Close the Journal.

Since the books of the firm are now to be closed, Mr. Cross desires to provide a contingent liability fund to which to charge such accounts as may prove to be bad and uncollectible. His previous experience in the business suggests allowing 2½% of the balance of the accounts receivable for such contingency. Make Journal entry debiting Loss and Gain account and crediting Reserve for Bad Debts account for \$**.**. Open a Reserve for Bad Debts account in the Liability section in the General Ledger and post the entries. Foot and rule up the Journal.

No. 118. Close the General Ledger.

Close the accounts in the following order: In-Freight into Mdse Purchases; Mdse Purchases into Mdse; Out-Freight, after having entered the inventory, into Mdse Sales; Mdse Sales into Mdse; Mdse, after the inventory has been entered, into Loss and Gain; all operating and Cash Discount and Interest accounts, after having entered inventories, if any, into Loss and Gain; Barn Equipment and Office Furniture, closing the depreciation into Loss and Gain; Loss and Gain into the proprietor's account; the proprietor's account; lastly, all resource and liability accounts, except those which only have *one* entry. Bring the balances down as of June 1.

INVENTORIES*1. Resource*

(Enter in red ink on the credit side of the accounts.)

Mdse: 535104 feet of lumber, B. M. @ \$18.07.....	\$9669.33	
50 M of shingles @ \$2.10.....	105.	\$9774.33
Barn Equipment:	\$1100.	
Less 2% depreciation.....	22.	\$1078.
Office Furniture:.....	\$218.50	
Less 2% depreciation on \$75*.....	1.50	\$217.
Rent: 2 months' rent paid in advance.....		\$200.
Insurance: 11 months' premium paid in advance.....		\$154.

*The typewriter, desk and chair have not yet been used.

2. *Liability*

(Enter in red ink on the debit side of the accounts.)

Out-Freight: Estimated freight on shipments for which freight bills have not yet been returned, as follows:

Order No. 220	.....	\$18.95	
“ “ 227	.....	23.33	
“ “ 228	.....	28.65	
“ “ 229	.....	34.24	
“ “ 230	.....	28.28	
“ “ 231	.....	36.08	
“ “ 232	.....	35.72	
“ “ 233	.....	15.82	\$221.07

Traveling Expense: Estimated expenses for the balance of the month \$7.50

NOTE.—Inventories of merchandise are now commonly taken by means of specially designed and ruled loose-leaf Inventory Sheets. These sheets are provided with columns for the quantities and descriptions of the various articles on hand, their cost prices and the extensions; they also provide for the insertion of the different departments, the location of the goods and the names of the several clerks engaged in the taking of stock, viz., the caller, the entry clerk, the price clerk, the extender and the examiner.

In the lumber business inventory is taken by “piles,” as stacked in the yard, and when a Stock Book is kept, as is done in this set, the aggregate of the quantities listed should correspond with the balance shown by this book.

No. 119. Take a proof of the balances.

Take this proof on an ordinary sheet of paper in the usual form of a trial balance. Correct any errors which may have crept in.

No. 120. Make out a Financial Statement.

Make out this statement as per form shown on page 32. It is the modern substitute for the Balance Sheet. When correctly made out, copy it neatly on a sheet of paper and hand to your teacher for approval, then file it in pocket No. 2. In business the Financial Statement is retained by the proprietor and kept with his private papers.

Submit your entire work to your teacher for inspection and approval.

RESULTS FOR MAY

List No.	Cash (including Petty Cash)	Notes Receivable	Accounts Receivable	Notes Payable	Accounts Payable	M. B. Cross Present Worth
1	1207.28	1686.57	3693.90	6000.	216.85	11550.21
2	do	do	3682.32	do	do	11538.92
3	do	do	3678.94	do	do	11535.63
4	do	do	3680.00	do	do	11536.66
5	do	do	3675.35	do	do	11532.13
6	do	do	3690.40	do	do	11546.80
7	do	do	3703.96	do	do	11560.02
8	do	do	3702.88	do	do	11558.97
9	do	do	3715.46	do	do	11571.23
10	do	do	3707.28	do	do	11563.26
11	do	do	3699.31	do	do	11555.49
12	do	do	3695.45	do	do	11551.72

MERCANTILE ACCOUNTING

FINANCIAL STATEMENT

May 30, 1908

Resources

Cash.....	\$**** **	
Notes Receivable.....	**** **	
Accounts Receivable.....	\$**** **	
Less Reserve for Bad Debts.....	** **	**** **
Merchandise.....	**** **	
Barn Equipment.....	****	
Office Furniture.....	***	
Due from traveling salesman.....	** **	
Rent paid in advance.....	***	
Insurance paid in advance.....	***	\$***** **

Liabilities

Notes Payable.....	\$****	
Accounts Payable.....	*** **	
Out-Freight not credited.....	*** **	
Traveling Expense unpaid, estimated.....	* **	**** **
M. B. Cross' Present Worth.....		\$***** **

LOSS AND GAIN STATEMENT

May 30, 1908

Gains

Merchandise.....	\$**** **	
Cash Discount.....	* **	\$**** **

Losses

Reserved for bad debts.....	** **	
Rent.....	***	
Insurance.....	**	
Salaries.....	** **	
General Expense.....	** **	
Barn Expense.....	** **	
Yard Expense.....	*** **	
Traveling Expense.....	*** **	
Barn Equipment, depreciation on.....	**	
Office Furniture, depreciation on.....	* **	**** **
Net Gain.....		\$***** **
M. B. Cross, Investment.....		\$*****
Net Gain.....		**** **
M. B. Cross' Present Worth.....		\$***** **

BUSINESS MEMORANDA FOR JUNE

JUNE 1

No. 121. Pay by check to the Chicago Edison Co., bill for electric light, \$8.75.

Charge General Expense account.

No. 122. Receive a bank draft from Buckingham Bros., Indianapolis, Ind., for \$549.80 (*No. 14*), and a receipted freight bill for \$23.33, in settlement of invoice of May 19, less discount.

This payment reached the firm three days late, that is, the remittance was due to reach the House May 29 if advantage was to be taken of the discount, but on inspection of the draft you find that it is dated May 28. It was, presumably, mailed on this date and delayed in the mails. Mr. Cross, therefore, decides to accept the draft in full.

No actual freight bill is used with this transaction, nor will there be any freight bills used hereafter. The weights and rates charged will be given in connection with the transactions. In the present case the weight is 27450 lbs. and the rate charged 8½¢, no switching charges.

Mr. Cross has taken up the matter of switching charges with the various railroad companies and has succeeded in getting an adjustment of the matter so that hereafter these charges will be omitted from the freight bills. If, by mistake, however, a charge should be made for switching on future shipments, freight claims are to be made for the same.

No. 123. Make deposit.

Nos. 124 and 125. Secure bank loan. Pay by check the 30-day note of May 1, in favor of W. A. Johnson & Co., for \$3000.

The note was due yesterday, May 31. This was Sunday, however, and a note due on Sunday does not become payable until the following Monday.

Examining your bank record you find that the cash on deposit is not sufficient to pay this note. Mr. Cross has, in anticipation of this payment, arranged with the bank for a loan of \$1500. He has submitted to the bank a statement of the financial condition of the firm, in substance the same as the Financial Statement made out by you May 30, and he has agreed to secure the loan by giving into the custody of the bank the three promissory notes held by the firm. The note to be given and secured is called a collateral note. It is to be made for ten days and to draw interest at 6%.

Take the blank collateral note from your outfit and make it out in a proper manner. List the notes to be given as collaterals in detail, specifying dates, length of time, by whom made, in whose favor made, and the amounts. Observe that the note is to be signed twice. Sign it the same as you sign the checks. Endorse the notes to be given as collateral, signing them in blank. The aggregate of these notes is \$****.**.

Figure the interest, draw a check for it and deliver the notes, pinned together, and the check to the bank by filing them in the Bank pocket. Have your teacher, as the bank's note teller, enter the loan in your pass book. Make Cash Book entries, crediting Notes Payable and debiting Interest accounts, for the amount of the loan and the interest, also make proper entries in the Bank columns.

Make entry of the collateral note in the Notes Payable Book. Since, however, the note will find its way into the Notes Payable account by means of the Cash Book entry and no account with the Merchants Exchange Bank is to be kept, this entry is not to be posted. It is an auxiliary entry. Check the entry and rule up.

Make *pencil* notations in the Notes Receivable Book, opposite the notes given as collateral, as follows: "Deposited as collateral with bank, June 1."

Pay the note, favor of W. A. Johnson & Co., by check. Remove it from pocket No. 2, have your teacher cancel it, and re-file it in the same pocket. Make proper entry for the payment in the Cash Book, also make proper notation in the Notes Payable Book.

No. 126. Order No. 17 has been shipped.

Tally Record: Car No. and Initials, 1743, C. B. & Q.; Estimated weight, 36450 lbs., Lumber shipped, 1008-1027-504-971-504-7021-533 feet—30 M.

No. 127. Order No. 18 has been shipped.

Tally Record: Car No. and Initials, 3615, C. R. I. & P.; Estimated weight, 34100 lbs. Lumber shipped, 625-250-200-60-30-20 pieces.

Do you always use the cancellation method in computing the number of feet? Have you not found the figuring to be very easy by this method? Let us do the figuring of the items in this order. $\frac{8}{\cancel{6} \times \cancel{16} \times 625}$

$= 8 \times 625 = 5000$ feet; $\frac{\cancel{2} \times \cancel{6} \times 16 \times 250}{\cancel{126}} = 16 \times 250 = 4000$ feet; $\frac{2 \times \cancel{4} \times 14 \times 200}{\cancel{123}} = 2 \times 14 \times 200 + 3 = 1867$ feet;

$\frac{4 \times 4 \times 14 \times \cancel{60}}{\cancel{12}} = 4 \times 4 \times 14 \times 5$ or $16 \times 70 = 1120$ feet; $\frac{\cancel{4} \times \cancel{6} \times 16 \times 30}{\cancel{123}} = 32 \times 30 = 960$ feet; $\frac{\cancel{2} \times 14 \times 16 \times \cancel{20}}{\cancel{1263}} = 14 \times 160 + 3 = 747$ feet.

How many of these items could you figure mentally?

No. 128. Order No. 19 has been shipped.

Tally Record: Car No. and Initials, 785, C. R. I. & P.; Estimated weight, 31700 lbs. Lumber shipped, 2-66-40-31-140 pieces—4202-2100 feet—20 M.

Receive an order from the Patterson Lumber Co., Clinton, Ia. (No. 20).

The shingles needed for this order will be ordered by Mr. Cross through his stenographer, who reported for work this morning. Mr. Cross has also placed an order with the White Pine Manufacturing Co., Traverse City, Mich., to be shipped about June 15. Miss Ristau will attend to all correspondence hereafter.

Receive an order from Boyce Bros. & Co., Clinton, Ia. (No. 21).

JUNE 2

Negotiations with reference to the admission of Mr. L. L. Abbott, an old business acquaintance of Mr. Cross, to the business as a silent partner, have been terminated by a written agreement, called Articles of Copartnership, providing that Mr. Abbott's investment is to be \$5000 cash and that Mr. Cross is to withdraw from the business \$******, the net amount of profit made since the purchase of the business by Mr. Cross on May 1, leaving his net investment to be \$10000. They are to share the profits or losses in proportion to their investments, viz.: Mr. Cross two-thirds and Mr. Abbott one-third. Mr. Cross is, as manager of the business, to receive a salary of \$150 a month, while Mr. Abbott, being a silent partner, is to receive no salary.

No. 129. Receive Mr. Abbott's check for \$5000, the amount of his investment. (No. 15).

Make Cash Book entry, open an account with L. L. Abbott and post the entry. Open this account on the page following the account of M. B. Cross, Proprietor.

No. 130. Deposit the check just received.

No. 131. Pay Mr. Cross, by check, the amount due him as per his agreement with Mr. Abbott.

Make entry, post and close M. B. Cross, Proprietor, account. Open, directly below this account, a new partnership account, styling it plainly: M. B. Cross.

No. 132. Receive from Miller Bros., Muncie, Ind., a receipted freight bill for \$28.31; weight 33300 lbs., rate $8\frac{1}{2}\%$. Send a note for \$******, for the balance of their account, to be signed by them and returned.

Fill out the note on a blank found in your outfit, date it as of the date of the invoice, May 21, make it without interest and payable at your firm's office. Leave it unsigned and file it, temporarily, in the Ticker.

No. 133. Receive from Craig & Johnson, Pontiac, Ill., a bank draft for \$400 to apply on account (No. 16).

The car of lumber sent them has not yet arrived at destination, but the remittance was sent to secure the discount privilege. This is a very common custom. Craig & Johnson are to be allowed full discount on receipt of freight bill and remittance for the balance of the invoice, even though they may be received some days after the discount limit.

No. 134. Receive an invoice from Francis Beidler & Co., dated this day, for 60000 Extra *A* Cedar Shingles @ \$2.75, \$165 (No. 16).

Receive an acknowledgment from the Chicago, Indianapolis & Louisville Railway Co. of our claim No. 8, their No. 39471.

Receive an order from the Buckeye Lumber Co., Columbus, Ohio, sent in by mail (No. 22).

JUNE 3

No. 135 Receive from the Stevens Lumber & Coal Co., Logansport, Ind., receipted freight bill for \$28.14; weight 40200 lbs., rate 7¢. Send a note for \$***.** for the balance of their account, to be signed by them and returned.

Fill out note and file the same in the Ticker. Follow instructions given with transaction No. 132.

No. 136. Receive a bank draft for \$220 from the East St. Louis Lumber Co., East St. Louis, Ill., to apply on account (No. 17).

This payment is to secure the discount; see transaction No. 133.

No. 137. Receive a remittance for \$2 from the Chicago & Eastern Illinois Railway Co., in settlement of claim No. 45371 (No. 18).

No. 138. Pay from petty cash, 25¢ for telegram, \$1 for scrubbing office, 75¢ for window washing, 20¢ for carfare.

No. 139. Pay by check to the Chicago Telephone Co., \$5 for telephone service.

Charge General Expense account.

No. 140. Receive a bank draft from the Fort Wayne Builders' Supply Co., Fort Wayne, Ind., for \$450.79 (No. 19) and a receipted freight bill for \$34.16; weight 42700 lbs., rate 8¢, in settlement of invoice of May 23, less discount.

This remittance is also one day late but it is to be accepted in full, owing to its being dated June 1.

No. 141. Order No. 20 has been shipped.

Tally Record: Car No. and Initials, 943, C. & N. W.; Estimated weight, 38150 lbs. Lumber shipped, 50-100-75-50-50-150 pieces—3000 feet—60 M-100 pieces.

No. 142. Order No. 22 has been shipped.

Tally Record: Car No. and Initials, 3980, P. C. C. & St. L.; Estimated weight, 37650 lbs. Lumber shipped, 300-75-72-84-72-79-168-63 pieces. Affix prices from the following lists and be sure to use your list.

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	24.50	24.25	24.75	24.00	23.75	23.50	25.00	25.50	25.25	24.75	24.50	24.25
2	22.50	22.25	22.75	22.00	21.75	21.50	23.00	23.50	23.25	22.75	22.50	22.50
3	22.50	22.75	22.00	21.75	21.50	23.00	23.50	23.25	22.75	22.50	22.25	22.75
4	22.50	22.00	21.75	21.50	23.00	23.50	23.25	22.75	22.50	22.25	22.75	22.00
5	22.50	21.75	21.50	23.00	23.50	23.25	22.75	22.50	22.25	22.75	22.00	22.50
6	22.50	21.50	22.00	23.50	23.25	22.75	22.50	22.25	22.75	22.00	22.50	21.75
7	21.50	21.25	21.00	20.50	20.75	21.75	22.25	22.00	22.50	21.25	20.75	21.50
8	22.00	21.50	21.75	21.25	21.00	22.25	22.75	22.00	22.50	23.00	22.75	22.50

No. 143. Make deposit.

JUNE 4

No. 144. Receive from the Farmers' Lumber Co., Springfield, Ill., a receipted freight bill for \$40.23; weight 44700 lbs., rate 9¢. Send a note for \$***.** for the balance of their account, to be signed and returned.

Do not forget to make freight claims, if any are to be made. File the note, temporarily, in the Tickler.

No. 145. Order No. 21 has been shipped.

Tally Record: Car No. and Initials, 785, C. & N. W.; Estimated weight, 13450 lbs. Lumber shipped, 8000-1000-1801-1000-505-1500-4100 feet.

JUNE 5

Receive an order from the Lawrence Bros. Co., Sycamore, Ill., (*No. 23.*)

This order calls for lath and shingles which the firm does not carry in stock. It will be ordered through the stenographer. No mention will be made hereafter of any stock to be ordered to fill an order.

No. 146. Receive from the East St. Louis Lumber Co., East St. Louis, Ill., a receipted freight bill for \$18; weight 22500 lbs., rate 8¢. They say in their letter accompanying the freight bill that they have lost or mislaid the invoice and ask for a duplicate invoice; they also ask to be credited for the discount due them.

Credit them for the freight and discount and post the entries. Since these two credits overpay their account, the amount of overpayment must be entered in the Balance column *in red ink*.

JUNE 6

Receive an order from the Rockford Furniture Co., Rockford, Ill., sent in by mail (*No. 24*) and one from Smith, Jones & Co., Rockford, Ill., sent in by the traveling salesman (*No. 25*).

No. 147. Receive from Craig & Johnson, Pontiac, Ill., a receipted freight bill for \$36; weight 45000 lbs., rate 8¢. Draw on them at three days' sight for the balance of their account, less discount, \$**.** as per their instructions.

Draw the draft on a blank found in your outfit and leave it at the bank for collection by filing it in the Bank pocket. Make no entry of this transaction at present. Do not credit Craig & Johnson for discount until collection is made.

No. 148. Pay the weekly salaries by checks. Your salary, in appreciation of faithful and intelligent service, has been increased to \$25 a week; Miss Ristau's salary is to be \$10 a week and the yard foreman's salary the usual amount. Payroll of yard men, \$171.

Make *separate* entries for the salaries.

No. 149. Pay to J. M. Rhodes, by check, \$18.35 for feed.

No. 150. Receive an expense sheet from salesman Bowen, showing his expenses for the week from May 29 to June 5 to be \$30.15.

Prove your cash.

JUNE 8

No. 151. Receive from Francis Beidler & Co., an invoice (*No. 17*), dated June 6, for 15000 mixed lath @ \$3.70, \$55.50; 12000 shingles @ \$2.75, \$33 and 10000 shingles @ \$2.10, \$21, total \$109.50.

No. 152. Order No. 23 has been shipped.

Tally Record: Car No. and Initials, 947, C. & G. W.; Estimated weight, 40700 lbs. Lumber shipped, 100-100-50-50-50 pieces—3532-3016 feet—15M-12M-10M-2900 feet.

Receive from the claim department of the Chicago & Alton Railroad Co., acknowledgment of claims, our No. 9, their No. 51326; also of our No. 10, their No. 52117.

No. 153. Draw a check for \$50 to be sent to Mr. Bowen for expense money.

No. 154. Pay from petty cash, \$2 for postage stamps.

Receive an order from George Green & Bros. Lumber Co., Rock Island, Ill. (*No. 26*).

No. 155. Receive a remittance from the Cleveland, Cincinnati, Chicago & St. Louis Railway Co., for \$2, in settlement of claim No. 51924.

JUNE 9

No. 156. Receive a note from the Stevens Lumber & Coal Co., Logansport, Ind., for \$***.**, in full of account.

Remove the note, previously made out, from the Tickler, have your teacher, representing the lumber company, sign the same and make proper entry.

No. 157. Receive from Johnson, Smith & Co., Davenport, Ia., a receipted freight bill for \$25.20; weight 31500 lbs., rate 8¢. Draw on them at sight for \$***.**, balance of their account, less discount.

Leave the draft at the bank for collection by filing it in the Bank pocket. Make no entry of the draft now, also do not give J. S. & Co. credit for the discount now. Credit them for the discount when the draft has been paid.

No. 158. Order No. 24 has been shipped.

Tally Record: Car No. and Initials, 1375, C. & N. W.; Estimated weight, 21050 lbs. Lumber shipped, 3005-3003-3004-5014 feet. Use prices from the following lists:

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	73.50	73.25	73.00	73.75	74.00	72.75	74.25	73.75	73.00	73.25	74.00	73.00
2	69.00	69.25	69.50	69.75	68.75	68.50	69.25	68.25	68.00	69.25	69.50	69.75
3	70.00	70.25	69.75	70.50	71.00	70.75	69.25	70.50	70.75	71.00	71.50	71.25
4	70.00	70.50	70.25	71.00	69.50	69.75	70.00	70.25	70.50	69.50	70.25	71.00

No. 159. Pay to Robert White, by check, \$3.25 for horseshoeing.

Receive an order from Boyce Bros. & Co., Clinton, Ia. (*No. 27*).

JUNE 10

No. 160. Receive from the Central Lumber Co., Dixon, Ill., a bank draft for \$637.42 (*No. 21*) and a receipted freight bill for \$20.80; weight 37600 lbs., rate 5¢, switching charges, \$2; in full of account.

No. 161. Order No. 25 has been shipped.

Tally Record: Car No. and Initials, 1372, C. & N. W.; Estimated weight, 40700 lbs. Lumber shipped, 150-150-75-50-100-20-375 pieces—3503-1003-504-1500 feet—50 pieces.

No. 162. Receive from the Gate City Lumber Co., Keokuk, Ia., a receipted freight bill for \$29.16, weight 36450 lbs., rate 8¢. Send them a note for \$***.**, for the balance of their account, to be signed and returned.

No. 163. Receive a remittance from the Chicago, Indianapolis & Louisville Railway Co., for \$2, in settlement of claim No. 39471.

No. 164. Make deposit.

JUNE 11

No. 165. Receive from the Mississippi Lumber Co., Muscatine, Ia., a receipted freight bill for \$27.20; weight 34000 lbs., rate 8¢. Send them a note for the balance of their account, to be signed and returned.

No. 166. Receive an invoice from The Lord & Bushnell Co., Chicago (*No. 18*), dated June 10, for 20 M shingles @ \$3, \$60.

No. 167. Receive from the Farmers' Lumber Co., Springfield, Ill., a note, sent them June 4 to be signed and returned, \$***.**.

Have your teacher sign all notes made out by you, when returned.

No. 168. Pay from petty cash, for a sponge, 10¢, penholders, 15¢, erasers, 10¢, ruler, 15¢.

No. 169. Order No. 26 has been shipped.

Tally Record: Car No. and Initials, 783, C. R. I. & P.; Estimated weight, 32350 lbs. Lumber shipped, 50-50-50-30-250-429-100-167-250-20-30 pieces.

Index this firm's name in proper manner. It is to be made thus: "Green & Bros. Lbr. Co." in the Surname column and "George" in the Given Name column.

No. 170. Pay the collateral note given the bank June 1 by check.

Remove the four notes from the Bank pocket. Have your teacher cancel the collateral note by marking it paid, then file in pocket No. 2. Cancel the endorsements on the three other notes by drawing lines through them and return notes to pocket No. 5. Erase pencil notations in Notes Receivable Book.

No. 171. Receive from the Buckeye Lumber Co., Columbus, Ohio, a receipted freight bill for \$37.55; weight, 37550 lbs., rate, 10¢. Draw on them at three days' sight for the balance of their account, less discount and leave the draft at the bank for collection.

No. 172. Receive a notice from the bank that the draft on Craig & Johnson, Pontiac, Ill., has been collected and placed to the firm's credit.

Make entry in Cash Book, crediting C. & J. for the cash collected and the discount; also make entry in Bank columns. Place the date in the Date column and write "C" or "Coll" below it, indicating that this is a collection, not an amount ordinarily deposited.

Some banks will charge a fee for collecting drafts, others do not. Owing to the firm carrying a large bank balance, no charge is made by the Merchants Exchange Bank for collecting the firm's drafts.

JUNE 12

Receive an order from the Gate City Lumber Co., Keokuk, Ia. (*No. 28*).

No. 173. Pay, by check, to J. McDonald & Co., bill for carbon paper, \$4.

Charge General Expense account.

No. 174. Receive a note from the Lawrence Bros. Co., for \$400.77 (*No. 23*) and a receipted freight bill for \$20.25; weight 40500 lbs., rate 5¢.

Receive an acknowledgment from the Chicago & North Western Railway Co., of our claim No. 11, their No. 69432.

No. 175. Receive a notice from the bank that the draft, drawn on Johnson, Smith & Co., Davenport, Ia., June 9, has been collected and placed to the credit of the firm.

Credit J. S. & Co. also for the discount. Be sure to make proper entries in Bank columns. See transaction No. 172.

JUNE 13

No. 176. Receive from the Patterson Lumber Co., Clinton, Ia., a bank draft for \$200 (*No. 24*), to apply on account, also a receipted freight bill for \$30.40; weight, 38000 lbs., rate 8¢.

Receive an order from the Mississippi Lumber Co., Muscatine, Ia. (*No. 29*).

No. 177. Receive an invoice from Francis Beidler & Co. (*No. 19*), dated June 12, for 25000 shingles @ \$2.75, \$68.75 and 10000 shingles @ \$3.90, \$39; total \$107.75.

No. 178. Order No. 27 has been shipped.

Tally Record: Car No. and Initials, 2392, C. & N. W.; Estimated weight, 37250 lbs. Lumber shipped, 5000-4000-1500-1000-600-800-1000 feet—20 M.

Nos. 179, 180, 181 and 182. Pay, by checks, the May accounts of the local dealers; Francis Beidler & Co., \$***.***, Garden City Paving and Post Co., \$**.*. Arthur Gourley Co., \$*.** and The T. Wilce Co., \$***.**, less discounts.

Enter in Cash Book in Purchase Ledger columns and post in proper manner.

No. 183. Pay the weekly salaries in the usual manner, by checks. Payroll of yard men, \$141.

No. 184. Make deposit. Prove your cash.

No. 185. Mr. Bowen's expenses for the week, June 6 to 12, have been \$34.75.

JUNE 15

Mr. Cross has written the Miller Bros. Co., Muncie, Ind., requesting remittance of cash or note in settlement of their account.

No. 186. Receive from Boyce Bros. & Co., Clinton, Ia., a receipted freight bill for invoice of June 4, \$10.60; weight 13250 lbs., rate 8¢. Draw on them at sight for balance of account, less discount, and leave the draft at the bank for collection.

Receive an order from the East St. Louis Lumber Co., East St. Louis, Ill. (*No. 30*).

Receive a letter from the East St. Louis Lumber Co., East St. Louis, Ill., requesting that the 3000 feet of 1×6×16 #2 rough, ordered through salesman Bowen, June 13, be changed to 1500 feet.

Make this change on order No. 30 (last item) and make notation in the "Remarks" space on the order blank.

No. 187. Receive from the Gate City Lumber Co., Keokuk, Ia., the note sent them June 10 to be signed.

No. 188. Order No. 28 has been shipped.

Tally Record: Car No. and Initials, 1784, C. B. & Q.; Estimated weight, 54600 lbs. Lumber shipped, 8030-1007-3000-7000 feet—25 M-10M.

No. 189. Order No. 29 has been shipped.

Tally Record: Car No. and Initials, 4317, C. R. I. & P.; Estimated weight, 42500 lbs. Lumber shipped, 8502-8500 feet.

No. 190. Mr. Cross wishes to draw \$50 upon his salary, for private use. Give him a check.

Charge M. B. Cross account, *not* Salary account.

JUNE 16

No. 191. Receive from the Rockford Furniture Co., Rockford, Ill., a bank draft for \$800 (*No. 25*) to apply on account.

No. 192. Order No. 30 has been shipped.

Tally Record: Car No. and Initials, 2833, C. & A.; Estimated weight, 40200 lbs. Lumber shipped, 30-25-25-30-25-200 pieces—500-500-1520-1504 feet.

In posting subtract the credit shown in the Balance column and enter the difference in black ink in that column.

Receive an order from the Mann Lumber & Coal Co., Freeport, Ill., (*No. 31*); also one from the Stevens Lumber Co., La Salle, Ill., (*No. 32*).

No. 193. Receive a remittance from the Chicago & Alton Railway Co. for \$6.72 (*No. 26*), in settlement of claims Nos. 51326 and 52117.

No. 194. Pay for horseshoeing to Robert White, \$2.50, by check.

No. 195. Make deposit.

No. 196. Pay, by check, to Dr. W. Klingbeil \$7.50 for veterinary services.

Charge Barn Expense account.

No. 197. Receive a notice from the bank that the draft drawn on the Buckeye Lumber Co., Columbus, Ohio, June 11, has been collected, \$***.**.

No. 198. Pay by check to J. M. Rhodes for feed, \$20.25.

JUNE 17

No. 199. Receive from the Mississippi Lumber Co., Muscatine, Ia., a note for \$***.**, sent them June 11, to be signed and returned, in settlement of invoice of June 1.

No. 200. Receive from George Green & Bros. Lumber Co., Rock Island, Ill., a note for \$310.26 (*No. 27*) and a receipted freight bill for \$25.80; weight 32250 lbs., rate 8¢, in payment of invoice of June 11.

No. 201. Receive from the White Pine Manufacturing Co., Traverse City, Mich., an invoice (*No. 20*), dated June 14, terms 60 days or 1½% Cash in 10 days, for 773338 feet of lumber, \$12801.93.

Verify extensions, O. K., enter and post in proper manner.

JUNE 18

A letter has been received from Smith, Jones & Co., Rockford, Ill., who refuse to accept the shipment of lumber made to them June 10. They claim that the quantities are not as ordered and the grades are not up to standard. Mr. Cross has wired salesman Bowen to take an early train to Rockford and has written him there, asking him to try to adjust matters with Smith, Jones & Co. and instructing him, if unable to settle the matter, to make best possible disposition of the shipment and to allow a discount, not to exceed 5%, however, from the bill.

No. 202. Pay cost of telegram, 85¢, from petty cash; also pay from petty cash \$1 for scrubbing office.

No. 203. Draw a check for \$10 to replenish the petty cash fund.

Whenever you draw cash, return to your teacher the currency used.

No. 204. Order No. 31 has been shipped.

Tally Record: Car No. and Initials, 4396, C. & N. W.; Estimated weight, 23150 lbs. Lumber shipped, 1092-2525-2100-5007-2003-3509-2000 feet.

No. 205. Order No. 32 has been shipped.

Tally Record: Car No. and Initials, 1943, C. R. I. & P.; Estimated weight, 42650 lbs. Lumber shipped, 83-72-56-100-17-42-182 pieces—4005 feet—36 pieces.

Receive an order from the Farmers' Lumber Co., Springfield, Ill. (*No. 33*); also one from the Star Lumber and Hardware Co., Danville, Ill. (*No. 34*), the latter having been sent in by mail.

JUNE 19

No. 206. Receive a remittance from the Chicago & North Western Railway Co., for \$2 (*No. 28*), in settlement of claim No. 69432.

No. 207. Receive from the Rockford Furniture Co., Rockford, Ill., a receipted freight bill for \$12.60; weight 21000 lbs., rate 6¢. Draw on them at three days' sight for the balance of their account, less discount, and leave the draft at the bank for collection.

No. 208. The lumber shipped by the White Pine Manufacturing Co., Traverse City, Mich., having arrived, pay by check the freight on the shipment, 773338 feet @ \$2.50 per 1000 feet, \$1933.35, to the Northern Michigan Transportation Co.

Charge this freight to the White Pine Mfg. Co., who are to stand the freight charges, instead of to In-Freight account.

No. 209. Order No. 33 has been shipped.

Tally Record: Car No. and Initials, 1073, C. & A.; Estimated weight, 43550 lbs. Lumber shipped, 200-100-300-75-4 pieces-2016 feet-334 pieces-2000 feet-4-2 pieces.

No. 210. Order No. 34 has been shipped.

Tally Record: Car No. and Initials, 974, C. & E. I.; Estimated weight, 32900 lbs. Lumber shipped, 1-12-40-215-130-48 pieces. Supply prices from the following lists:

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	25.50	24.75	25.00	25.50	25.25	24.50	25.75	26.00	26.50	25.75	26.25	25.50
2	21.50	21.00	21.25	20.50	21.75	20.75	22.25	22.75	22.50	22.25	21.25	21.75
3	21.50	21.25	20.50	21.75	21.00	22.00	22.50	22.25	21.75	21.50	22.25	22.75
4	24.00	23.50	23.25	23.75	24.25	24.75	25.00	23.75	24.50	24.25	25.00	24.50
5	21.50	21.25	21.00	20.75	20.50	22.50	22.25	21.75	21.50	22.25	22.75	21.75
6	23.50	24.00	22.75	23.25	24.25	24.50	22.50	23.00	22.75	23.25	23.75	24.25

Receive an order from the Hixon Sash & Door Co., Indianapolis, Ind. (No. 35).

JUNE 20

No. 211. Receive a check for \$200 from Miller Bros. Co., Muncie, Ind., to apply on account.

Receive an order from Charles E. Schramm, Chicago, Ill. (No. 36).

Note that this order is to be shipped to Schramm & Wagner, Marion, Ind. Mr. Schramm called at the office and arranged prices with Mr. Cross.

No. 212. Receive a notice from the bank that the draft on Boyce Bros. & Co., Clinton, Ia., drawn on the 15th inst., has been collected.

No. 213. Pay by check to the Consumers' Company \$2.25, for filtered water supply and ice service.

No. 214. Receive an expense sheet from E. B. Bowen for \$40.50 for the week from June 13 to 19.

Before entering make proper forwarding entries in the Journal.

No. 215. Draw a check for \$50 to be sent to Mr. Bowen for expense money.

No. 216. Pay salaries, by checks, as usual. Payroll of yard men, \$305.

No. 217. Make deposit. Pay exchange on Muncie, Ind., check, 20¢, from petty cash. Prove your cash.

JUNE 21

Receive an order from Murphy & Flanigan, Fort Wayne, Ind. (No. 37).

Note that this order is to be shipped C. O. D.

No. 218. Receive an invoice from Francis Beidler & Co. (No. 21), dated June 22, for 40000 shingles @ \$2.10, \$84, and 50000 shingles @ \$2.75, \$137.50, total \$221.50.

No. 219. Order No. 35 has been shipped.

Tally Record: Car No. and Initials, 2018, C. C. C. & St. L.; Estimated weight, 36900 lbs. Lumber shipped, 1000-1000-1004-1998-2016-1056-2128-1024-1026-2007-500 feet.

Receive an acknowledgment from the Chicago & North Western Railway Co., of our claim No. 12, their No. 71236.

No. 220. Pay from petty cash \$5 for postage stamps.

No. 221. Draw a check for \$50 to be given Mr. Cross for private use.

JUNE 23

No. 222. Receive an invoice from the Arthur Gourley Co. (*No. 22*), dated June 22, for 2000 shingles @ \$3.65, \$7.30.

No. 223. Receive from Boyce Bros. & Co., Clinton, Ia., a receipted freight bill for \$29.72; weight 37150 lbs., rate 8¢. Draw on them at three days' sight for balance of account, less discount. Leave the draft at the bank for collection.

No. 224. Order No. 36 has been shipped.

Tally Record: Car No. and Initials, 2931, C. C. C. & St. L.; Estimated weight, 30800 lbs. Lumber shipped, 50-50-50-72-63 pieces—500 feet—42-50-32 pieces—200 feet—40-50 M.

Charge this order to Chas. E. Schramm, Chicago, Ill., *not* to Schramm & Wagner, Marion, Ind.

No. 225. Pay by check to the Libby & Sherwood Printing Co., \$6.25 for printing letterheads, etc.

Charge to what account?

JUNE 24

No. 226. Receive a notice from the bank that the draft on the Rockford Furniture Co., Rockford, Ill., left for collection June 19, has been paid.

No. 227. Receive from the Gate City Lumber Co., Keokuk, Ia., a bank draft for \$601.19 (*No. 30*) and a receipted freight bill for \$43.60; weight 54500 lbs., rate 8¢, in settlement of invoice of June 15, less discount.

No. 228. Order No. 37 has been shipped.

Tally Record: Car No. and Initials, 4317, P. F. W. & C.; Estimated weight, 40400 lbs. Lumber shipped, 6004-3003-1003-1004-3008-1027-971 feet—1 M-1 M.

This order has been shipped C. O. D. Shipping C. O. D. by freight is done by shipping goods to one's self, or rather to the order of one's self, at the place where the customer is established. Thus, in the present case, the lumber has been shipped to the order of the M. B. Cross Lumber Co., Fort Wayne, Ind., and the Bill of Lading issued by the railroad company has as consignee "Order of M. B. Cross Lumber Co., Fort Wayne, Ind.," to which has been added "Notify Murphy & Flanigan." This Bill of Lading is endorsed in blank and a draft for the amount of the bill (less discount) is attached to it and sent to a bank in the customer's town. On paying the draft the endorsed Bill of Lading is given the customer who then procures the goods from the railroad company. A bill is sent the customer in the usual way so as to advise him of the shipment. This bill usually bears the notation "Bill of Lading at ——— Bank."

Take the Bill of Lading procured from the railroad company from your outfit and endorse the same in blank. Draw a draft for the amount of the order, less the estimated freight and less the discount and send the draft (with the B/L attached) to the First National Bank, Fort Wayne, Ind., for collection by filing it in the Ticker.

Open an account with "C. O. D. Murphy & Flanigan, Fort Wayne, Ind." and post in the usual manner. Enter the estimated freight and the discount in the Cash Book and post the entries so that the account now only shows the *net* amount to be returned.

This account may be indexed twice, to enable one to find it readily, once under C (C. O. D.), and once under M (Murphy & Flanigan).

Receive an order from the Stevens Lumber & Coal Co., Logansport, Ind., (*No. 38*); also a small order from the Chicago Planing Mill Co. (*No. 39*) taken by Mr. Cross.

No. 229. Draw a check for \$10.25 in favor of John Hutt, one of the yard men, whom foreman Brown was obliged to discharge.

No. 230. Make deposit.

No. 231. Pay by check to A. W. Martin & Co., \$5 for a copy of the Freight Rate Guide.

Charge General Expense.

As per advice received a few days ago, Mr. C. W. Reynolds, president of the White Pine Manufacturing Co., Traverse City, Mich., has called to pay the firm a business visit. Mr. Cross has arranged with him to settle the invoice of his company of the 14th inst., the same being due today if advantage is to be taken of the discount, in the following manner: A 10-day note for \$6000, drawing interest at 6% from date, is to be given and a check for the balance of the invoice after deducting freight and discount.

Figure the discount, after first deducting the freight from the amount of the invoice, and ascertain the amount of cash to be paid the White Pine Mfg. Co.

No. 232. Finding that the cash on deposit lacks nearly \$1000 to make the required payment, Mr Cross has made arrangements with the bank for discounting some of the notes held by the firm of its customers.

Discount notes Nos. 1 to 4 inclusive, viz.: the notes of the Eureka Lumber and Fuel Co., Star Lumber and Hardware Co., Colburn Mercantile Co. and Stevens Lumber and Coal Co. Endorse them over to the Merchants Exchange Bank in proper manner. Figure the discount at 6%. Have your teacher enter the proceeds in your pass book, make Cash Book and Bank column entries for the proceeds and a Journal entry for the discount, charging Interest account and crediting Notes Receivable account. Make notations in the Notes Receivable Book of the discounting and file the notes in the Bank pocket.

No. 233. Pay by note and check the invoice of the White Pine Mfg. Co., in accordance with the arrangements made.

Draw the papers and make proper entries. Deliver the papers to Mr. Reynolds by filing them in pocket No. 2.

JUNE 25

No. 234. Receive from the Mississippi Lumber Co., Muscatine, Ia., a receipted freight bill for \$33.84, weight 42300 lbs., rate 8¢. Send them a note for the balance of their account to be signed and returned.

Salesman Bowen has reported to the firm that he has disposed of the car of lumber, shipped to Smith, Jones & Co., Rockford, Ill., on the 10th inst. and refused by them, to Brown & Clark of the same place at the following terms: 2% discount, after deducting freight and demurrage charges, \$100 cash, a 30-day note for \$150 and a 60-day note for the balance of the invoice, both without interest.

No. 235. Receive, through salesman Bowen, a receipted freight bill for \$28.60, which includes \$4 demurrage charges for holding the car, weight 41000 lbs., rate 6¢; also two notes, one for \$150 at 30 days and one for \$160.59 at 60 days (*Nos. 31 and 32*). Mr. Bowen has retained the cash paid him by Brown & Clark, \$100, for traveling expenses.

First make Journal entry debiting Brown & Clark and crediting Smith, Jones & Co for the amount of the latter's account, placing both amounts in Sales Ledger columns, and post the entries. Then figure the discount and make entry for the same and for the freight. Then enter the notes. Lastly, make entry for the cash retained by Mr. Bowen in the Journal, debiting E. B. Bowen (General Ledger column) and crediting Brown & Clark (Sales Ledger column). Make freight claim for overcharge and demurrage charges.

JUNE 26

No. 236. Receive from the East St. Louis Lumber Co., East St. Louis, Ill., a bank draft for \$324.79 (*No. 33*) and a receipted freight bill for \$32.16; weight 40200 lbs., rate 8¢, in settlement of invoice of June 16, less discount.

Note that they have not deducted the amount of their previous overpayment which now causes the red ink balance entry to be restored.

No. 237. Receive from the Mann Lumber and Coal Co., Freeport, Ill., a bank draft for \$369.54 (*No. 34*) and a receipted freight bill for \$11.50; weight 23000 lbs., rate 5¢, in payment of invoice of June 18, less discount.

Receive an order from Kingman Bros., Peoria, Ill. (*No. 40*).

JUNE 27

No. 238. Receive a bank draft for \$352.58 (*No. 35*) from the Stevens Lumber Co., La Salle, Ill., also a receipted freight bill for \$21.25; weight 42500 lbs., rate 5¢, in settlement of invoice of June 18, less discount.

Receive an acknowledgment from the Chicago & North Western Railway Co. of our claim No. 13, their No. 72173.

No. 239. Order No. 38 has been shipped.

Tally Record: Car No. and Initials, 493, P. C. C. & St. L.; Estimated weight, 48500 lbs. Lumber shipped, 3015-3006-1000-1003-1000-1008-1008-1008-1010-3008 feet

No. 240. Order No. 39 has been delivered.

Tally Record: Delivered by team; Lumber delivered, 10 pieces. Open an account in the Sales Ledger with the Chicago Planing Mill Co., the same as in the case of any other customer.

Receive an order from the Eureka Lumber and Fuel Co., Streator, Ill. (*No. 41*).

No. 241. Receive an expense sheet from the traveling salesman, showing his expenses for the week June 20 to 26 to be \$43.25.

No. 242. Pay, by checks, the weekly salaries. Payroll of yard men, \$162.

No. 243. Make deposit. Prove your cash.

JUNE 29

No. 244. Pay for horseshoeing to Robert White, by check, \$1.75.

No. 245. Receive a notice from the bank that the draft on Boyce Bros. Co., Clinton, Ia., drawn on the 23d inst., has been collected.

No. 246. Receive a note from the Mississippi Lumber Co., Muscatine, Ia., sent them for signature June 25.

Receive from the Chicago & Alton Railway Co., an acknowledgment of our claim No. 14; their No. 58493.

No. 247. Receive from the Farmers' Lumber Co., Springfield, Ill., a bank draft for \$372.53 (*No. 36*) and a receipted freight bill for \$39.15; weight 43500 lbs., rate 9¢; in settlement of invoice of June 19, less discount.

No. 248. Order No. 40 has been shipped.

Tally Record: Car No. and Initials, 3104, C. B. & Q.; Estimated weight 48900 lbs. Lumber shipped, 4-6-130-200-100-70-16-80-250-400-400 pieces.

Receive an order from the Buckeye Lumber Co., Columbus, Ohio (*No. 42*), sent in by mail; also one from the East St. Louis Lumber Co., East St. Louis, Ill. (*No. 43*), sent in by salesman Bowen.

JUNE 30

No. 249. Receive from the Hixon Sash and Door Co., Indianapolis, Ind., a bank draft for \$600.94 (*No. 37*) and a receipted freight bill for \$31.03; weight 36500 lbs., rate 8½¢, in settlement of invoice of June 22, less discount.

No. 250. Receive an invoice from The Lord & Bushnell Co., Chicago (*No. 23*), dated June 30, for 2000 linear ft of battens @ \$0.45 per 100 feet, \$9, and 20 M of shingles @ \$3 per M, \$60, total \$69.

Mark the number of feet in the Purchase Journal "Lin. Ft."

No. 251. Order No. 41 has been shipped.

Tally Record: Car No. and Initials, 3146, C. B. & Q.; Estimated weight, 44950 lbs. Lumber shipped, 100-100-500-100-25-15-39-2 pieces-1400-2000 feet.

No. 252. Order No. 42 has been shipped.

Tally Record: Car No. and Initials, 3473, P. C. C. & St. L.; Estimated weight, 20700 lbs. Lumber shipped, 1718-4000-1600-4000-1500-1008-1005 feet-2000 linear feet-20 M.

Since the battens in this order, when bought, were entered in linear feet and added as board feet, the same must be done now in order to keep the stock record straight. 60¢ is the price per 100 ft.

No. 253. Pay to the Chicago Planing Mill Co., by check, their bill for mill work done during June, \$108.54, less the amount of our bill against them, \$7.84, balance \$***.**.

This calls for a so-called "Contra" entry. First enter the amount of their bill, \$108.54 in the Purchase Journal and post the entry. Then make a Journal entry, both debiting and crediting the Chicago Planing Mill Co. for \$7.84. Since their account in the Purchase Ledger is to be debited the amount is placed in the Purchase Ledger column on the debit side and since their account in the Sales Ledger is to be credited the amount is placed in the Sales Ledger column on the credit side. The explanation to this entry will be "Contra account." Post in the usual manner, using "Contra" in the Items column.

No. 254. Make deposit.

No. 255. Draw a check for \$3000, in payment of the 30-day note, favor of W. A. Johnson & Co., due today.

Have your teacher receipt the note.

No. 256. Credit Mr. Cross for \$150 and Mr. Bowen for \$100, for their June salaries.

Make Journal entries. Mr. Cross' salary is to be charged to Salary account, while Mr. Bowen's salary is to be charged to Traveling Expense account.

No. 257. Pay Mr. Cross, by check, the balance of this June salary.

No. 258. Pay Mr. Bowen, by check, his June salary.

No. 259. Close the Cash Book.

No. 260. Make a temporary closing of the Journal.

Foot and transfer the footings to the next page, then extend the footings of the Sales Ledger and Purchase Ledger columns into the General Ledger columns and post the amounts. The total of the General Ledger debit column must now, of course, equal the total of the General Ledger credit column.

No. 261. Close the Purchase Journal.

No. 262. Close the Sales Distribution Book.

No. 263. Close the Notes Receivable and Notes Payable Books.

No. 264. Dispose of the out-freight and the cash discounts.

No. 265. Close the Petty Cash Book.

Make sure that no postings have been omitted.

No. 266. Take a trial balance of the Purchase Ledger.

Make the necessary entries in the Accounts Payable Proof account and take the trial balance independently of the General Ledger.

No. 267. Take a trial balance of the Sales Ledger.

Prove this trial balance also by means of the Accounts Receivable Proof account, without making reference to the General Ledger.

In business Houses which have hundreds, or thousands, of accounts, trial balances of Sales and Purchase Ledgers are now usually taken by listing the *amounts* of the accounts *only* on so-called footing sheets. The amounts are added and the total is compared with the balance shown by the proof account, after which the sheets are ruled up and filed.

No. 268. Credit Reserve for Bad Debts account for $2\frac{1}{2}\%$ of the accounts receivable outstanding, \$**.**. then close the Journal.

No. 269. Take a trial balance of the General Ledger.

No. 270. Close the General Ledger.

Follow closely instructions given when closing the General Ledger May 30, (transaction No. 118).

INVENTORIES

1. Resource

Mdse: 928339 ft. of lumber, B. M. @ \$18.11.....		\$***** **
Barn Equipment:.....	\$****.	
Less 2% depreciation.....	** **	\$**** **
Office Furniture:.....	\$****.	
Less 2% depreciation.....	* **	\$*** **
Rent: 1 month's rent paid in advance.....		\$***.
Insurance: 10 months' premium paid in advance.....		\$***.

2. Liability

Out-Freight: Estimated freight on shipments for which freight bills have not yet been returned, as follows:

Order No. ***.....	\$** **	
" " ***.....	** **	
" " ***.....	** **	
" " ***.....	** **	
" " ***.....	** **	
" " ***.....	** **	\$**** **
Salary: Salaries earned and unpaid, * days,		
Your salary.....	\$* **	
Miss Ristau's salary.....	* **	\$** **
Yard Expense: Wages earned and unpaid,		
Thomas Brown, * days.....	\$ * **	
Yard men, as per Time Sheet.....	58.	\$** **
Traveling Expense: Estimated expenses from		
June 27 to date.....		\$18.
Interest: Interest on note payable earned but unpaid, * days, *%		\$*.

No. 271. Take a proof of the balances.

No. 272. Make out a Financial Statement.

Consult copy for January, on page 32. The third section, in the present case, changes to:

M. B. Cross, Investment.....	\$***** **	
Salary.....	***	
$\frac{1}{2}$ Net Gain.....	**** **	
Withdrawals.....	**** **	
	***	\$***** **
L. L. Abbott, Investment.....	\$****.	
$\frac{1}{2}$ Net Gain.....	*** **	**** **
Firm's Present Worth.....		***** **

Submit the statement to your teacher for approval, then file the same.

See that entries in the Stock Book have been properly made. Compare the amount of the notes in pocket No. 5 with the amount shown by the Notes Receivable account. Inspect your books to see whether everything has been ruled up properly, also inspect the pocket file to see whether the filing of the various papers has been correctly done. Exhibit your entire work to your teacher for inspection and approval.

RESULTS FOR JUNE

List No.	Cash (including Petty Cash)	Notes Receivable	Accounts Receivable	Notes Payable	Accounts Payable	M. B. Cross Net Capital	L. L. Abbott Net Capital	Firm's Present Worth
1	113.19	2475.49	3352.78	6000.	740.05	11482.38	5741.19	17223.57
2	122.42	2466.63	3345.59	6000.	740.05	11478.15	5739.07	17217.22
3	124.94	2465.92	3338.39	6000.	740.05	11474.73	5737.37	17212.10
4	129.71	2463.55	3346.21	6000.	740.05	11481.39	5740.70	17222.09
5	128.07	2463.99	3344.41	6000.	740.05	11479.51	5739.75	17219.26
6	114.38	2472.00	3362.71	6000.	740.05	11487.36	5743.68	17231.04
7	112.51	2480.66	3367.80	6000.	740.05	11494.97	5747.48	17242.45
8	112.94	2476.59	3360.53	6000.	740.05	11487.84	5743.92	17231.76
9	98.88	2485.75	3367.53	6000.	740.05	11488.91	5744.45	17233.36
10	101.44	2481.65	3364.34	6000.	740.05	11485.95	5742.97	17228.92
11	114.99	2481.01	3365.20	6000.	740.05	11495.25	5747.62	17242.87
12	119.31	2474.92	3361.61	6000.	740.05	11491.80	5745.89	17237.69

BUSINESS MEMORANDA FOR JULY

JULY 1

An agreement to admit Mr. H. C. Blair to the firm as a third partner has been reached by the parties concerned, Mr. Blair contracting to pay \$6750 in cash for a one-fourth interest in the business, \$6000 of which is to constitute his investment and \$750 is to pay for his share of the good will, the established reputation of the business. The payment for good will is to be made to Mr. Cross and Mr. Abbott individually, to be retained by them, two-thirds to the former and one-third to the latter. The combined capital of the partners is to be \$24000 and Mr. Cross is to invest in cash an amount equal to the difference between his present investment and \$12000 and Mr. Abbott is to invest in cash an amount equal to the difference between his present investment and \$6000, Mr. Cross thus retaining a one-half interest and Mr. Abbott retaining a one-fourth interest in the business. The partners are to share the gains or losses in proportion to their interests in the firm. Mr. Cross is to continue to receive a monthly salary of \$150 as manager, while Mr. Abbott and Mr. Blair, both being silent partners, are to receive no salaries. The style of the firm is to remain the same.

No. 273. Receive from the new partner, Mr. H. C. Blair, a check for \$6000, in payment for his one-fourth share in the business.

No voucher will be found in your outfit for this transaction, nor will there be any checks, notes and drafts used hereafter, it being considered that the student has had sufficient practice in the use of such papers. Make entry in the Cash Book, open an account with H. C. Blair in the General Ledger, following L. L. Abbott's account, and post the entry.

No. 274. Receive from Mr. Cross his personal check for \$***.**, and from Mr. Abbott his personal check for \$***.**, the difference between their present investments and the amount of their proportionate interests in the business.

Make proper Cash Book entries and post. The entries with reference to the change in the partnership are now complete.

Receive from the claim department of the Chicago & Alton Railway Company an acknowledgment of our claim No. 15, their No. 59125.

No. 275. Pay to Morley Bros., by check, \$32 for two sets of harnesses.

Charge Barn Equipment account. The making out of actual checks may now be omitted since it is considered that the student has had sufficient practice in this.

Receive an order from the Hixon Sash and Door Co., Indianapolis, Ind. (No. 44).

No. 276. Receive a remittance from the Chicago & North Western Railway Co., for \$2.10, in settlement of claim No. 71236.

No. 277. Receive a receipted freight bill for \$23.10 from the Star Lumber and Hardware Co., Danville, Ill.; 33000 lbs., rate 7¢. Send them a note for \$***.** for the balance of their account, to be signed and returned.

Make deposit.

Since actual checks and drafts are no longer used, the making out of deposit tickets may now also be dispensed with. A record of the amounts of remittances to be deposited may be kept on a slip of paper in the Cash Drawer, or they may be ascertained from the Cash Book. In the present case the deposit will consist of the checks of Mr. Blair, Mr. Cross and Mr. Abbott, and the freight claim check for \$2.10.

JULY 2

Receive a notice from A. A. Huebsch, receiver for the Patterson Lumber Co., Clinton, Ia., that the firm named has gone into involuntary bankruptcy.

A "Proof of Unsecured Debt" is filed with the receiver, but nothing further is to be done.

Receive an order from Craig & Johnson, Pontiac, Ill. (No. 45).

No. 278. Pay by check to the Yawman & Erbe Mfg. Co., \$31.50 for a filing cabinet.

No. 279. Pay \$7.95, by check, to the S. D. Childs Co., for miscellaneous office stationery.

No. 280. Pay for horseshoeing to Robert White, \$2.25, by check.

No. 281. Pay from petty cash, \$2 for postage stamps, \$1 for scrubbing office, 75¢ for window washing.

No. 282. A request for the return of the amount of their overpayment has been received from the East St. Louis Lumber Co., East St. Louis, Ill. Send them a check.

Turn to the East St. Louis Lumber Co.'s account and ascertain the amount to be refunded. Enter the payment in the Cash Book in the General Ledger, Sundries, column and post the entry *twice*, once to the East St. Louis Lumber Co. in the Sales Ledger, and once to Accounts Receivable account in the General Ledger. While this double posting of the same item is not strictly in harmony with the accounting scheme practiced in this set, yet, in the absence of a special column for Sales Ledger entries on the credit side of the Cash Book, it can hardly be avoided. It may be avoided by making a Journal entry, debiting the East St. Louis Lumber Co., posting the entry, and crediting Cash, *checking this entry*, but the former method is considered better.

This transaction illustrates the fact that, no matter how well devised a system of accounting may be, it becomes necessary, at times, to make an exception to the rules practiced. The clever accountant will take steps, of course, to remedy such "faults." In the present case, especially if frequent refunds of overpayments were anticipated, he would create a Sales Ledger column on the credit side of the Cash Book, which would cause the single posting of a single item to be maintained.

JULY 3

No. 283. Receive an invoice from The T. Wilce Co., Chicago, (No. 24) dated July 2, for 500 feet of maple flooring @ \$31.50, \$15.75.

No. 284. Order No. 43 has been shipped.

Tally Record: Car No. and Initials, 3615, C. & A ; Estimated weight, 40100 lbs. Lumber shipped, 87-74-106-111-61-72-63-50 pieces.

Receive an order from the Rockford Furniture Co., Rockford, Ill. (*No. 46*), sent in by mail.

No. 285. Mr. Bowen's expenses for the week June 27 to July 2 have been \$38.75.

No. 286. Pay the salaries by checks. Payroll of yard men, \$136.

No. 287. Pay R. M. Gray & Co., by check, \$22.60 for feed.

No. 288. Pay by check to the Chicago Telephone Co., \$6.50 for services during the month of June.

No. 289. Receive a check from Chas. E. Schramm, Chicago, for \$352.06 and a receipted freight bill for \$24.80; weight 31000 lbs., rate 8¢; in settlement of invoice of June 23, less discount.

Deposit the check.

No. 290. Pay by check the 10-day note in favor of the White Pine Manufacturing Co., dated June 24, \$****. ; interest \$**.

Since there are *two* entries to be made for *one* check, draw a brace (}) in the Check No. column to indicate that both amounts were paid with one check.

No. 291. Draw a check for \$20 to replenish the petty cash fund.

No. 292. Pay from petty cash, \$7.50 for a flag to be hoisted upon the office building in honor of the nation's birthday tomorrow.

Prove your cash.

JULY 4

This being a national holiday, no business is being done and the office and yards remain closed.

JULY 6

Receive an order from the Central Lumber Co., Dixon, Ill. (*No. 47*).

No. 293. Order No. 45 has been shipped.

Tally Record: Car No. and Initials, 2392, C. & A.; Estimated weight, 46350 lbs. Lumber shipped, 1536-3004-1200-2970-3000-3001-2210-2011-2022-500 feet.

No. 294. Order No. 44 has been shipped.

Tally Record: Car No. and Initials, 4102, C. C. C. & St. L.; Estimated weight, 37450 lbs. Lumber shipped, 515-1002-1008-1510-2033-2003-2000-2000-2918 feet.

No. 295. Receive from the First National Bank, Fort Wayne, Ind., a bank draft for \$419.18, returns from the C. O. D. shipment to Murphy & Flanigan, June 24. Collection charges 50¢.

Since the C. O. D. account is to be credited for \$419.58 and the amount of cash returned is only \$419.18, an entry crediting the C. O. D. account for the collection charges must be made through the Journal. Make this entry charging General Expense account.

If such collection charges were of frequent occurrence in the business, the creating of an auxiliary Collection column on the debit side of the Cash Book, a column similar to the Out-Freight and Cash Discount columns, would suggest itself, and the opening of a Collection account in the General Ledger. There are, however, not enough items of collections in this set to warrant the creating of a Collection column in the Cash Book and the opening of a Collection account.

No. 296. Receive a remittance from the Chicago & North Western Railway Co. for \$4.10, in settlement of claim No. 72173, our claim for demurrage having been refused.

Make notation of the refusal in the Memoranda column in the Freight Claim Book.

No. 297. Receive a remittance from the Chicago & Alton Railway Co. for \$4.02 in settlement of claim No. 58493.

JULY 7

No. 298. Order No. 46 has been shipped.

Tally Record: Car No. and Initials, 2244, C. & N. W.; Estimated weight, 40300 lbs. Lumber shipped, 6009-8018-900-1200 feet. Affix prices from the following lists:

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	52.00	52.25	52.50	52.75	51.75	52.00	52.25	52.50	52.75	53.00	52.25	52.50
2	48.00	48.25	48.50	49.00	47.75	47.50	47.25	47.00	47.25	47.50	47.75	48.25
3	56.00	55.75	55.50	55.25	55.00	56.25	56.50	56.75	56.00	56.25	56.50	56.75
4	29.00	29.25	29.50	29.75	30.00	28.75	28.50	28.25	28.00	28.50	29.75	28.75

No. 299. Receive from the Stevens Lumber and Coal Co., Logansport, Ind., a receipted freight bill for \$34.16; weight 48800 lbs., rate 7¢. Send a note for \$***.** for the balance of their account, to be signed and returned.

No. 300. Receive a note for \$***.** from the Star Lumber and Hardware Co., Danville, Ill., sent them for signature July 1.

No. 301. Pay from petty cash, 25¢ for a telegram, 20¢ for car fare, 35¢ for a rubber stamp, 75¢ for a typewriter ribbon.

No. 302. Pay by check to the Chicago Edison Co., bill for electric light, \$2.45.

No. 303. Pay by check to Dr. W. Klingbeil, \$5 for veterinary services.

JULY 8

No. 304. Receive, through salesman Bowen, a bank draft for \$***.** from Miller Bros. Co., Muncie, Ind., in settlement of invoice of May 21; also an order from the same parties to be shipped C. O. D. (No. 48).

No. 305. Receive a bank draft from Kingman Bros., Peoria, Ill., for \$402.12 and a receipted freight bill for \$31.10; weight 48500 lbs., rate 6¢, switching \$2; in settlement of invoice of June 29, less discount.

Make deposit.

JULY 9

No. 306. Order No. 47 has been shipped.

Tally Record: Car No. and Initials, 13947, C. & N. W.; Estimated weight, 41850 lbs. Lumber shipped, 24-72-72-90-72-90-108-100-500 pieces.

No. 307. Receive a note from the Eureka Lumber and Fuel Co., Streator, Ill., for \$***.**, payable at the Streator National Bank, and a receipted freight bill for \$22.48; weight 44950 lbs., rate 5¢; in settlement of invoice of June 30.

Since the practice of handling actual checks, notes and drafts has been discontinued the note received will not be found in your outfit. You may transfer all notes now in the Cash Drawer to pocket No. 2 (Miscellaneous) and refer to the Notes Receivable Book whenever a transaction occurs that involves a note or notes. All notes, whether sent to be signed and returned or received direct, are dated as of the date of the invoices, are for 60 days and are without interest.

JULY 10

No. 308. Receive an invoice, dated July 9, from the Arthur Gourley Company, Chicago, (No. 25) for 40000 shingles @ \$3, \$120, and 30000 lath @ \$3.65, \$109.50, total \$229.50.

No. 309. Receive a bank draft from the Buckeye Lumber Co., Columbus, Ohio, for \$459.53 and a receipted freight bill for \$20.50; weight 20500 lbs., rate 10¢; in settlement of invoice of June 30, less discount.

No. 310. Receive a remittance from the Chicago & Alton Railway Co., for \$4.35 in settlement of claim No. 59125.

No. 311. Pay to Frank Firmey, one of the yard men, \$9 by check, wages in full to date. Foreman Brown saw fit to discharge Firmey this morning.

JULY 11

No. 312. Order No. 48 has been shipped.

Tally Record: Car No. and Initials, 4376, P. C. C. & St. L.; Estimated weight, 34600 lbs. Lumber shipped, 400-200-100 pieces—1002-1024-4000 feet—40 M-30 M.

This order was shipped C. O. D. *freight prepaid* as requested. You will find a B/L for this shipment in your outfit. Follow closely instructions given with transaction No. 228, figure the discount on the amount of the order less the estimated freight, but make the draft to be drawn for the amount of the order less the discount *only*. Do not deduct the freight as the freight will be paid by you as soon as the railroad company renders a bill. Draw through the Citizens Bank, Muncie, Ind.

The order may be posted to either Miller Bros. Co.'s account, already on the ledger, or a new C. O. D. account may be opened with Miller Bros. Co. In the present case post the order to the *old* account, using "C. O. D." in the Items column

No. 313. Receive a remittance from Craig & Johnson, Pontiac, Ill., for \$400, to apply on account.

No. 314. Mr. Bowen's traveling expenses for the week July 3 to July 10 have been \$30.60.

No. 315. Receive a memorandum of credit, dated July 10, from the Arthur Gourley Company, for \$10, for overcharge on shingles, invoiced July 9.

These shingles should have been billed at \$2.75 per M, instead of \$3, according to a quotation made Mr. Cross.

Make Journal entry debiting the Arthur Gourley Co. and crediting Mdse Purchases. Date the entry July 10, the date of the memorandum.

This matter might also have been disposed of by making an entry for it in the Purchase Journal in *red ink* and subtracting the amount from the total to be posted to Mdse Purchases account at the end of the month.

No. 316. Pay the weekly salaries by checks. Payroll of yard men, \$145.50.

Make deposit. Prove your cash.

JULY 18

Receive an order from the Hixon Sash and Door Co., Indianapolis, Ind. (*No. 49*).

No. 317. Receive a bank draft from the East St. Louis Lumber Co., East St. Louis, Ill., for \$499.31 and a receipted freight bill for \$27.86; weight 39800 lbs., rate 7¢; in settlement of invoice of July 3, less discount.

No. 318. Receive a note from the Stevens Lumber and Coal Co., Logansport, Ind., for \$***.***, sent them for signature July 7.

No. 319. Pay from petty cash \$2 for postage stamps, 10¢ for car fare, 10¢ for erasers and 45¢ for a box of steel pens.

JULY 14

No. 320. Word has been received from salesman Bowen that an overcharge, claimed by the Central Lumber Co., Dixon, Ill., in a letter received a few days ago, is correct. #2 Common Boards, rough, invoiced July 9, should have been charged at \$21.75 instead of \$22.75 per 1000 ft. B. M. Allow them proper credit.

Make Journal entry, debiting Mdse Sales and crediting the Central Lumber Co.

In businesses where allowances (rebates for overcharge, damages, return of goods, etc.) are of frequent occurrence, a separate book is kept for entering such allowances, or they are entered on loose-leaf sheets and handled in a similar manner as the order sheets in this set.

Nos. 321, 322 and 323. Pay, by checks, the June accounts of the local dealers.

Refer to transactions Nos. 179 to 182.

No. 324. Receive a bank draft from the Hixon Sash and Door Co., Indianapolis, Ind., for \$628.08 and a receipted freight bill for \$30, weight 37500 lbs., rate 8¢; in settlement of invoice of July 6, less discount.

No. 325. Pay to Mr. Cross \$1.50 from petty cash, spent by him for the entertainment of a customer who called at the office while in the city.

JULY 15

Receive an order from Kingman Bros., Peoria, Ill. (*No. 50*).

No. 326. Order No. 49 has been shipped.

Tally Record: Car No. and Initials, 4301, C. C. C. & St. L.; Estimated weight, 37750 lbs. Lumber shipped, 2020-4003-4510-2525-2037 feet.

No. 327. Receive a bank draft from Craig & Johnson, Pontiac, Ill., for \$91.69 and a receipted freight bill for \$38.40; weight 48000 lbs., rate 8¢; in settlement of invoice of July 6, less discount.

Receive an acknowledgment from the Chicago, Burlington & Quincy Railway Co. of our claim No. 16, their claim No. 95603.

Make deposit.

JULY 16

No. 328. Receive an invoice, dated July 15, from The Lord & Bushnell Company, Chicago (*No. 26*), for 1350 lin. ft. battens @ \$.50 per 100 lin. ft., \$6.75 and 5 M lath @ \$3.50 per M, \$17.50, total \$24.25.

No. 329. Receive from the Rockford Furniture Co., Rockford, Ill., a receipted freight bill for \$24.30; weight 40500 lbs., rate 6¢. Draw on them at sight for the balance of their account, less discount.

Since a ruling of the Clearing House Association has made drafts also subject to a collection fee, and since it has become the general custom to draw on a debtor through a bank in the debtor's town, draw this draft in favor of the Winnebago National Bank, Rockford, Ill.

No. 330. Receive a bank draft from the Citizens Bank, Muncie, Ind., for \$587.62, returns from the C. O. D. shipment to Miller Bros. Co., July 11. Collection charges 40¢.

Consult transaction No. 295.

No. 331. Receive a remittance from the Chicago, Burlington & Quincy Railway Co. for \$6.85, in settlement of claim No. 95603.

No. 332. Pay, by check, to Robert White, \$3.50, for horseshoeing.

No. 333. Pay to R. M. Gray & Co., \$15.20, by check, for feed.

No. 334. Pay from petty cash 40¢ for a telegram, 10¢ for car fare.

JULY 17

Receive an order from the East St. Louis Lumber Co., East St. Louis, Ill. (*No. 51*).

No. 335. Pay to the Pittsburg, Cincinnati, Chicago & St. Louis Railway Co., by check, \$27.60, for prepaid freight on the C. O. D. shipment to Miller Bros. Co., Muncie, Ind., July 11; weight 34500 lbs., rate 8¢.

Charge Out-Freight account.

No. 336. Pay from petty cash \$1 for scrubbing office.

JULY 18

Receive from the Chicago & Alton Railway Co. an acknowledgment of our claim No. 17, their No. 60249.

No. 337. Order No. 50 has been shipped.

Tally Record: Car No. and Initials, 2641, C. B. & Q.; Estimated weight, 45050 lbs. Lumber shipped, 50-50-20-200 pieces—2000-4000-1000-2000-2000 feet—1350 lin. feet—5 M.

No. 338. Draw a check for \$100 to be sent to Mr. Bowen for expense money.

No. 339. Pay the Consumers Co., by check, \$2.65 for water supply and cooler service.

No. 340. Pay the weekly salaries by checks. Payroll of yard men, \$176.50.

No. 341. Pay Mr. Cross \$75, by check, for private use.

Make deposit. Prove your cash.

JULY 20

No. 342. Order No. 51 has been shipped.

Tally Record: Car No. and Initials, 3311, C. & A.; Estimated weight, 43100 lbs. Lumber shipped, 200-200-20-60-60-40-60-60-40 pieces.

No. 343. Receive an invoice from The Bey de Noquet Co., Nahma, Mich. (No. 27), dated July 15, for 386850 ft. B. M. of lumber, \$5437.34. Terms: 60 days, 1½%—10 days.

No. 344. Pay by check to the Goodrich Transportation Co. freight on the lumber shipped by The Bey de Noquet Co., Nahma, Mich., via barge "Sidney O. Neff" and which has arrived, at \$2.50 per M ft. B. M., \$***.**.

Charge In-Freight account.

Receive an order from the Mississippi Lumber Co., Muscatine, Ia., sent in by mail (No. 52).

JULY 21

Receive an order from Johnson, Smith & Co., Davenport, Ia. (No. 53).

No. 345. Receive from the Winnebago National Bank, Rockford, Ill., a bank draft for the proceeds of the draft drawn on the Rockford Furniture Co., July 16, \$***.**. No charge for collecting the draft was made.

JULY 22

No. 346. Receive a check from A. A. Huebsch, receiver for the Patterson Lumber Co., Clinton, Ia., for \$138.04, this being in full settlement of their account at 50¢ on the dollar.

Charge Reserve for Bad Debts account for the loss through the Journal and close the Patterson Lumber Co.'s account.

Receive an acknowledgment from the Chicago & North Western Railway Co. of our claim No. 18, their No. 73412.

No. 347. Pay from petty cash, 45¢ for a bottle of writing fluid, \$2 for postage stamps, 10¢ for car fare.

JULY 23

No. 348. Order No. 52 has been shipped.

Tally Record: Car No. and Initials, 3471, C. R. I. & P.; Estimated weight, 41450 lbs. Lumber shipped, 3012-2015-2025-512-4006-3004-2007 feet. Supply prices from the following lists:

Item	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10	List 11	List 12
1	21.00	21.25	20.75	20.50	21.50	20.25	20.00	21.75	22.00	21.50	20.75	21.25
2	22.00	21.75	21.50	22.25	21.25	22.50	22.75	23.00	22.50	22.75	22.25	21.75
3	23.00	22.50	22.75	22.25	23.25	23.75	23.50	24.00	23.00	22.75	23.25	23.50
4	26.00	25.50	25.25	26.25	25.75	25.00	25.50	26.25	26.75	27.00	26.50	26.25
5	52.00	52.25	52.50	51.75	52.75	51.50	51.25	52.25	51.00	51.50	52.25	52.50
6	53.00	52.50	52.25	53.25	52.75	52.00	52.50	53.25	53.50	53.75	54.00	53.50
7	41.00	40.25	40.00	40.50	40.75	41.25	41.50	41.75	42.00	41.25	41.75	41.50

No. 349. Receive a remittance from the Chicago & Alton Railway Co. for \$1.32 in settlement of claim No. 60249.

No. 350. Make deposit. Pay exchange on the Clinton, Ia., check, 15¢, from petty cash.

JULY 24

Receive an order from the Boyce Bros. Co., Clinton, Ia., (No. 54).

No. 351. Order No. 53 has been shipped.

Tally Record: Car No. and Initials, 2107, C. R. I. & P.; Estimated weight, 42500 lbs. Lumber shipped, 4000-8008-8000 feet.

No. 352. Receive a bank draft from the Hixon Sash and Door Co., Indianapolis, Ind., for \$961.55 and a receipted freight bill for \$32.20; weight 37750 lbs., rate 8¢, switching \$2; in settlement of invoice of July 15, less discount.

No. 353. Receive a remittance from the Chicago & North Western Railway Co for \$4.05, in settlement of claim No. 73412.

No. 354. Pay by check to Robert White \$1.75 for horseshoeing.

No. 355. Receive a bank draft from Brown & Clark, Rockford, Ill., for \$150, in payment of their 30-day note of June 24.

No. 356. Receive a bank draft from the Central Lumber Co., Dixon, Ill., for \$200 to apply on account.

Make deposit.

No. 357. Pay a bill for printing, amounting to \$3.25, to Libby & Sherwood, by check.

No. 358. The invoice of The Bey de Noquet Co. being due tomorrow and there being not enough cash on deposit to pay the same, Mr. Cross has made arrangements with the bank for the discounting of a number of notes. Discount notes Nos. 6, 7, 8, 9, 11, 12, 14 and 15 at 6%.

Refer to transaction No. 232.

No. 359. Pay, by check, the invoice of The Bey de Noquet Co., of the 15th inst., less discount, \$****.**.

JULY 25

Receive an order from the Fort Wayne Builders' Supply Co., Fort Wayne, Ind. (No. 55).

No. 360. Receive a bank draft from Kingman Bros., Peoria, Ill., for \$411.93 and a receipted freight bill for \$22.50; weight 45000 lbs., rate 5¢; in settlement of invoice of July 18, less discount.

Deposit the bank draft just received.

Nos. 361 and 362. Receive from salesman Bowen two expense sheets, one for the week July 11 to July 17, \$29.60, and one for the week July 18 to July 24, \$32.10.

The former is a *duplicate* sheet, sent in by Mr. Bowen by request of the firm, the original having been lost in the mails. Make two Journal entries.

No. 363. Pay the weekly salaries by checks. Payroll of yard men, \$204.

Prove your cash.

JULY 27

No. 364. Order No. 54 has been shipped.

Tally Record: Car No. and Initials, 754, C. & N. W.; Estimated weight, 46500 lbs. Lumber shipped, 3018-3002-1000-1500-1001-1998-2208-3505-4004 feet.

No. 365. Order No. 55 has been shipped.

Tally Record: Car No. and Initials, 3753, P. F. W. & C.; Estimated weight, 48050 lbs. Lumber shipped, 6008-6018-4014-4000-4000 feet.

Receive an acknowledgment from the Cleveland, Cincinnati, Chicago & St. Louis Railway Co. of our claim No. 19, their No. 56219.

No. 366. Pay to R. M. Gray & Co., \$11.10, by check, for feed.

JULY 28

Receive an order from the George Green & Bros. Lumber Co., Rock Island, Ill. (No. 56).

No. 367. Pay from petty cash, 25¢ for messenger service, 25¢ for library paste, 10¢ for a special delivery stamp.

JULY 29

No. 368. Receive a bank draft from the East St. Louis Lumber Co., East St. Louis, Ill., for \$759.92 and a receipted freight bill for \$30.45; weight 43500 lbs., rate 7¢; in settlement of invoice of July 20, less discount.

JULY 30

No. 369. Order No. 56 has been shipped.

Tally Record: Car No. and Initials, 1614, C. R. I. & P.; Estimated weight, 37550 lbs. Lumber shipped, 1005-7002-1000 feet—167-143-125 pieces.

No. 370. Pay Mr. Cross \$75, by check, for private use.

JULY 31

No. 371. Receive a remittance from the Cleveland, Cincinnati, Chicago & St. Louis Railway Co. for \$2, in settlement of claim No. 56219.

Make deposit.

No. 372. Pay, by check, to the Chicago Planing Mill Co., \$75.47, for mill work done during the month of July.

No. 373. Credit Mr. Cross and Mr. Bowen for their salaries.

No. 374. Draw a check for Mr. Bowen's salary to be sent to him.

No. 375. Close the Cash Book.

Bring the balance down as of August 1.

No. 376. Make a temporary closing of the Journal.

No. 377. Close the Purchase Journal.

No. 378. Close the Sales Distribution Book.

No. 379. Close the Notes Receivable Book.

No. 380. Dispose of the out-freight and cash discounts.

No. 381. Close the Petty Cash Book.

Bring the balance down as of August 1.

No. 382. Take a trial balance of the Purchase Ledger

Prove the trial balance independently of the General Ledger, by means of the Accounts Payable Proof account.

No. 383. Take a trial balance of the Sales Ledger.

Prove the trial balance by means of the Accounts Receivable Proof account.

Are you experiencing any difficulty? If you are, consult your Accounts Receivable account in the General Ledger. Where was the difficulty? What would this difficulty suggest?

No. 384. Credit Reserve for Bad Debts account for 2½% of the accounts receivable outstanding, \$***.**, then close the Journal.

No. 385. Take a trial balance of the General Ledger.

No. 386. Close the General Ledger

Bring balances down as of August 1.

INVENTORIES

1. Resource

Mdse: 1066282 ft. of lumber, B. M. @ \$18.24.....		\$*****. **
Barn Equipment:.....	\$****. **	
Less 2% depreciation.....	** **	\$****. **
Office Furniture:	\$****. **	
Less 2% depreciation.....	* **	\$****. **
Insurance: 9 months' premium paid in advance.....		\$****.

2. Liability

Out-Freight: Estimated freight on shipments for which freight bills have not yet been returned, as follows:

Order No. ***.....	\$** **	
" " ***.....	** **	
" " ***.....	** **	
" " ***.....	** **	
" " ***.....	** **	
" " ***.....	** **	\$****. **

Salary: Salaries earned and unpaid, * days,

Your salary.....	\$** **	
Miss Ristau's salary.....	* **	\$** **

Yard Expense: Wages earned and unpaid,

Thomas Brown, * days.....	\$** **	
Yard men, as per Time Sheet.....	138.50	\$****. **

Traveling Expense: Estimated expenses from July 25 to

July 31.....		\$30.
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No. 387. Take a proof of the balances.

No. 388. Make out a Financial Statement.

Fix up your Stock Book and see that everything is properly ruled up and in proper condition to be presented for inspection. Return all currency to your teacher.

Submit your entire work to your teacher for inspection and approval.

RESULTS FOR JULY

List No.	Cash (Including Petty Cash)	Notes Receivable	Accounts Receivable	Accounts Payable	M. B. Cross Net Capital	L. L. Abbott Net Capital	H. C. Blair Net Capital	Firm's Present Worth
1	2365.37	740.42	4567.08	259.50	13917.22	6958.61	6958.60	27834.43
2	2381.80	727.03	4564.06	259.50	13917.50	6958.75	6958.75	27835.00
3	2390.31	721.75	4562.18	259.50	13918.34	6959.17	6957.16	27836.67
4	2394.03	723.74	4563.43	259.50	13921.68	6960.84	6960.84	27843.36
5	2374.50	727.47	4569.21	259.50	13916.69	6958.34	6958.34	27833.37
6	2355.06	746.90	4562.33	259.50	13912.91	6956.45	6956.45	27825.81
7	2346.02	755.83	4562.84	259.50	13912.87	6956.43	6956.43	27825.73
8	2359.58	741.49	4576.76	259.50	13919.37	6959.69	6959.68	27838.74
9	2349.74	754.30	4570.99	259.50	13917.80	6958.90	6958.89	27835.59
10	2356.97	751.04	4570.86	259.50	13919.86	6959.93	6959.93	27839.72
11	2348.56	758.50	4573.10	259.50	13920.57	6960.28	6960.28	27841.13
12	2364.82	746.51	4572.99	259.50	13922.74	6961.37	6961.37	27845.48

APPENDIX

History and Description of the Lumber Industry

In the early part of the nineteenth century the forests of Europe, as well as of America, were held as of little value. America alone possessed more forest land than the entire area of the Old World. But for this magnificent supply of forest wealth there was no demand and consequently no market. The land was needed for cultivation, and so the ax, the saw, and that more effective agent of destruction, fire, did their ruthless work.

With the progress of the century, however, the clearance of vast areas was made, not for cultivation, but to supply the ever growing demand for wood products; rivers were penetrated; the silence of their banks, clothed with primeval forests, was broken by the woodman's ax; sawmills were erected; villages and towns created, all of which were fed at the expense of the ever vanishing forests.

The last half of the nineteenth century saw harvested the cream of that portion especially of our forest wealth, which was accessible by means of water transportation, so lavishly provided by nature.

From a thing of no value forest products have risen to a high rank in the catalog of commercial values; and the heretofore wanton destruction of a commodity for which posterity may vainly sigh, has awakened an interest in the investigation and use of means of preservation and reproduction of our forests. Hence, we have the science of forestry, which deals with the growth and the peculiarities of timber, the purpose to which it is applied, its habits, the many interesting details connected with its use, and the important part it plays as an article of commerce.

The United States, Canada and Russia are the leading countries in forest areas and products.

The soft and hard pines have been the largest element in the lumber industry of the United States, and perhaps of the world.

The white pine is the most useful timber of the north temperate zone, and covers the area between the fortieth and fiftieth parallels of latitude east of the plains and extends southward along the Appalachian mountains to the southern limits of Tennessee and North Carolina.

Although Michigan, Wisconsin, and Minnesota are classed as the great white pine states of America, it was once, more or less, abundant throughout the northern and north-eastern states and eastern Canada.

Yellow pine affords a very considerable source of lumber. The most important varieties are found in Georgia, North Carolina, and Virginia. Our largest supply of spruces comes from Maine, New Hampshire, and the Adirondack forests. The Pacific Slope furnishes about one-tenth of our lumber products, distributed among the spruces, cedars, and redwoods. The Douglas fir of the north-west affords a large part of the world's supply of ship masts and spars.

The walnut, maple, oak, chestnut, beech and hickory are characteristic hardwoods. Their chief sources of supply are south of the Ohio and east of the Mississippi.

The United States is the largest producer, the largest consumer, the largest importer and the largest exporter of lumber. Its exports exceed its imports.

The lumber industry of the United States includes four distinct operations.

The logging industry includes the felling of timber, cutting it into lengths and transporting it by rail or river to the mill.

The sawmill industry is that in which the raw material consists of saw logs; the product consists of rough lumber, such as beams, joists, scantlings, boards, shingles, laths, etc.

The planing mill industry is that in which the raw material consists of rough lumber and the finished product of planed or dressed lumber.

The lumber-distribution industry takes the product, resulting from the other three industries combined, and distributes it to the consumer. The one class collecting these products together into large quantities and distributing them, in smaller lots, to another class, which in turn makes a further and final distribution to the consumer, gives rise to wholesale and retail dealers.

In felling trees considerable judgment and skill are required to prevent injury to the timber. Methods of transportation vary greatly in different localities. In northern latitudes, entire trees, trimmed of their branches, and with one end on a bob-sled, the underside stripped of bark so as to slip more easily, are hauled by teams of horses or oxen. Latterly the trees are cut into log lengths and loaded on two bob-sleds fastened together. These are piled up in heaps, frequently ten feet high, and contain from four to ten thousand feet. The logs are left on the shores of lakes or rivers ready for "driving" in the spring. They are then rolled into the water and floated or "driven" to convenient points for sawing. On the Pacific Slope flumes or sluices are more used for transportation to bodies of water. In the San Joaquin Valley there is a flume fifty miles long.

In southern latitudes entire trees, after their branches and tops have been removed, are swung under the axle of two wide-tired wheels, with one end resting upon the ground and hauled to the mills. In swamp lands of the south tramways and railroads are built, and logs are hauled to convenient points on these roads by means of steam power, or "tractors," and wire cables; while steam scows or "pull-boats" are used in intersecting waterways, thence by boat or raft to the mills.

Wherever the method of "driving" or floating logs to the mills is used, logs belonging to different owners unavoidably become mingled together. To distinguish ownership, a system of marking is employed. Each owner has a special mark which must be duly recorded, as provided by law. There are said to be more than two thousand of these distinctive marks recorded for the St. Croix Lake region. While distribution has its special features apart from production they are frequently combined and carried on together as a single enterprise. Instances are common where the same person, firm, or company, buys the land upon which is found the standing timber, does the logging, sawing, planing and distributing. But whether carried on by a single proprietorship or distributed among several different parties, the business naturally divides itself into branches, or departments, each of which may be considered as representing a unit. Among these the wholesale branch is the climax of the group; since the aim of production is to aggregate large quantities, while distribution has the very opposite as its purpose.

Taken as a whole the lumber industry of the United States was, in 1900, fourth in rank of the great manufacturing industries of the country. There were then 33,035 establishments, with a total capital of \$611,611,523, employing 283,260 wage-earners, exclusive of administrative and clerical forces. The cost of the material used was \$317,923,548, and the value of the products, \$566,832,984. The amount of lumber produced was 35,084,166,000 feet B. M., being over eight billion feet more than was produced in 1890.

The amount of raw material, labor and capital involved in a business of such extraordinary proportions is indeed marvelous; and it is, at the same time, a measure of the great importance and value of accounting, which is the vital element permeating the whole field of business and making it possible on any considerable scale.

ABBREVIATIONS

<i>a</i>	Ash.	<i>m. r.</i>	Mill run.
<i>Air d.</i>	Air-dried.	<i>N. p.</i>	Norway pine.
<i>A. w.</i>	All widths.	<i>o.</i>	Oak.
<i>b.</i>	Beech.	<i>o. g.</i>	Ogee.
<i>bats</i>	Battens.	<i>pan.</i>	Panel.
<i>bev.</i>	Bevel or beveled.	<i>pat.</i>	Pattern.
<i>B. M.</i>	Board measure.	<i>p.</i>	Pine.
<i>bds.</i>	Boards.	<i>pkts.</i>	Pickets.
<i>bs.</i>	Basswood.	<i>P. & B.</i>	Plowed and bored.
<i>b. w.</i>	Black walnut.	<i>pop.</i>	Poplar.
<i>ceil.</i>	Ceiling.	<i>qr. sd.</i>	Quarter-sawed.
<i>c. w.</i>	Cottonwood.	<i>r. c.</i>	Red cedar.
<i>cher.</i>	Cherry.	<i>r. e.</i>	Rock elm.
<i>cl.</i>	Clear.	<i>r. o.</i>	Red oak.
<i>cyp.</i>	Cypress.	<i>rgh.</i>	Rough.
<i>dim.</i>	Dimension.	<i>r. s.</i>	Re-sawed.
<i>D. & E.</i>	Dressed and edged.	<i>r. w.</i>	Redwood.
<i>D. & H.</i>	Dressed and headed.	<i>s. g.</i>	Straight grained.
<i>D. & P.</i>	Dressed and pointed.	<i>shgls.</i>	Shingles.
<i>Dp. Sdg.</i>	Drop Siding.	<i>sdg.</i>	Siding.
<i>D. M. & B.</i>	Dressed, matched and beaded.	<i>s. l. y. p.</i>	Short-leaved yellow pine.
<i>D. 1 S. & M.</i>	Dressed one side and matched.	<i>s. p.</i>	Soft pine.
<i>E. & C. B. 2 S.</i>	Edged and center beaded, two sides.	<i>stk. w.</i>	Stock width.
<i>Fcg.</i>	Fencing.	<i>stk. bds.</i>	Stock boards.
<i>Flg.</i>	Flooring.	<i>S., S.</i>	Surfaced (planed) on one side.
<i>F. M.</i>	Flush molding.	<i>S. 1 S. 1 E.</i>	Surface one side and one end.
<i>g.</i>	Gum.	<i>S. 2 S.</i>	Surfaced two sides.
<i>gr. rfg.</i>	Grooved roofing.	<i>S. 4 S.</i>	Surfaced four sides.
<i>h. w.</i>	Hardwood.	<i>tb. stk.</i>	Tub stock.
<i>hem.</i>	Hemlock.	<i>tg. tbr.</i>	Turning timber.
<i>h. p.</i>	Hard pine.	<i>t. & g.</i>	Tongued and grooved.
<i>kl. d.</i>	Kiln-dry or kiln-dried.	<i>t., g. & b.</i>	Tongued, grooved and bored.
<i>lbr.</i>	Lumber.	<i>v. g.</i>	Vertical grain.
<i>l. l. y. p.</i>	Long-leaved yellow pine.	<i>v. stk.</i>	Vat stock.
<i>m. c.</i>	Mill cull.	<i>w. b. b.</i>	Wagon box bottoms.
<i>M. E. & C. B. 2 S.</i>	Matched edge and center beaded on two sides.	<i>w. o.</i>	White oak.
<i>mldg.</i>	Molding.	<i>w. p.</i>	White pine.
		<i>w. w.</i>	White wood.
		<i>y. p.</i>	Yellow pine.

TERMS

Boards are from one to two inches in thickness; are of different widths, which are always multiples of two inches, and are of various lengths.

DIMENSION STUFF runs two inches or more, increasing by two inches or multiples thereof, up to six inches by six inches, and is of different lengths.

DOCKWALLOPER—A laborer engaged in loading or unloading boats, barges or schooners, of lumber or other freight.

GRADES—These are established by some competent person, according to quality and dimensions, as agreed upon by some association of lumbermen for a given locality.

LOADING TICKET—A ticket or card upon which is noted the quantities, dimensions and grades of lumber which is to be loaded in a car for shipment. (See illustration on page 11.)

LUMBER DONKEY—A two-wheeled cart used for moving lumber about the yard by hand, or, when joined to the fore-wheels of a wagon, by one or two horses.

LUMBER-JACK—A laborer employed in the woods in getting out logs.

OEGEE OR O. G.—A molding having in section a reverse or long S curve.

PLANKS are two inches or more in thickness, but of various widths and lengths.

SCOOTS—A very inferior grade of lumber—the poorest quality.

SIZED—Cut or shaped to the form or dimensions required.

TIMBERS are six inches or more in thickness and width, the increase of either dimensions being by the addition of two inches or multiples thereof.

MODERN
CORPORATION ACCOUNTING

(VOUCHER SYSTEM)

INCLUDING INSTRUCTION IN CORPORATE
ORGANIZATION, METHODS OF TRANSACT-
ING BUSINESS, AND BOOKKEEPING

J. A. Lyons

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PREFACE

Unquestionably a textbook on corporation accounting should emphasize those accounting features which belong distinctively to corporations. The preparation of this work has been inspired largely by the belief of the authors that existing textbooks on this subject do not emphasize these distinctive features sufficiently to really teach the thing for which their title stands.

Corporation accounting does not necessarily differ from the accounting of a proprietary business in its methods of keeping those records which express the relation of the business to others and exhibit the trading operations of the business. The distinctive feature of corporation accounting is its method of keeping those records which set forth the relation of the corporation to its investors. The number of individuals interested in a corporation is as a rule larger than the number interested in a partnership. The relation of the stockholder to the corporation is widely different from that of a partner to his firm. The records which have to do with the investments of stockholders constitute a distinct and separate phase of corporation accounting for which no necessity exists in a proprietary business. The plan of distribution of corporate profits is also a distinctive feature of corporation accounting which requires special emphasis in a work on this subject.

The importance of placing emphasis on these distinctive features of corporation accounting is further emphasized by the fact that the conditions under which corporations may be organized and the plans for profit distribution are susceptible of many variations, thus giving rise to the necessity for instruction which will cover not one but many cases. "Modern Corporation Accounting" places the emphasis where it belongs. Further, it does not content itself with one opening entry and one plan of profit distribution, but fully illustrates opening and closing entries as under various conditions. This is done through separate exercises. Preceding the principal exercise, or "set," are seven exercises in opening corporation books. Following it are five closing exercises, illustrating five different methods of closing, and making use of data taken from five different lines of business. Incidentally the student is familiarized with the accounts used and the system of cost analysis used in six businesses instead of one.

The provisions of law governing the organization and internal administration of private corporations vary widely in the different states, so much so that up to this time no textbook on the subject of corporation accounting has been published which has been fully available for use in schools in different states. Existing textbooks on this subject, whatever may be said in regard to their adaptability for use in the state where written, inflict positive injury upon students when taught in other states—with the exception, of course, of textbooks which side-step the difficulty by not attempting to give instruction in matters of organization and administration.

"Modern Corporation Accounting" may be safely taught in any state. In order to present the matter of corporate organization clearly and definitely, the instruction in the process of organization has been made to conform to the laws of one state. Whenever this instruction is in conflict with the laws of other states, the student's attention

is called to the fact and he is referred to tabulated information which sets forth the important points in which the incorporation laws of the different states vary. The transactions used in this work have been so prepared that they are not inconsistent with the laws of any state.

It is important that teachers understand the dangers surrounding the giving of instruction in corporation bookkeeping, and that they earnestly supplement the work of the authors at every point, impressing upon students the importance of a knowledge of the laws governing corporations, the danger of acting without legal advice in certain matters, and the necessity for care in following the laws of the state under which the corporation exists. A copy of the state statutes governing incorporation can probably be secured free of charge from the Secretary of State in any state. Every teacher of bookkeeping is advised to secure this

The voucher system is used. While the use of vouchers is by no means limited to corporations, yet this system is especially adapted to the uses of corporations and may be considered a typical feature of corporation accounting. The voucher system would not be readily adaptable to a business in which settlement was made on the monthly statement instead of on the invoice. Its advantages are particularly marked in a business wherein the preservation of a receipt for every disbursement is regarded as essential.

Special attention is given in this work to the subject of cost analysis. Cost analysis is not a feature peculiar to corporation accounting. Its presence here is justified by the fact that the principal business illustrated is a manufacturing business, and by the further fact that the student needs it. The subject is an extensive one and cannot be taught in schools in its entirety, but no student should consider as completed a training in accounting which has not included some instruction in the fundamental principles of the science of costs. His knowledge of this science will materially affect his right to be considered an "accountant" instead of a mere "bookkeeper."

The authors of "Modern Corporation Accounting" bring this work to the attention of commercial teachers for their use in advanced classes, not claiming to have produced a work above criticism, but confident in the belief that it will be found to be a strong and well-balanced text; that it will be found to teach thoroughly what its title indicates, placing the emphasis where it belongs; and that it may be safely and consistently taught in any school in any state.

LYONS & CARNAHAN

MODERN CORPORATION ACCOUNTING

VOUCHER SYSTEM

Introduction

The purpose of this work is to show students what a corporation is, and how it is created; to give them in concise form a correct idea of those accounts which belong peculiarly to corporation bookkeeping, and the original entries which affect those accounts; and to illustrate several processes of closing the ledger of a corporation and distributing corporation profits. While studying these things, observing students will learn much that will be of general benefit and that will serve to guide them in possible future dealings with corporations.

DESCRIPTION

Definition

A corporation is an organization formed under authority of the state and endowed with the power of succession and the privilege of transacting business as a single individual.

"An organization." The corporation is not an individual or group of individuals, but is a being having an identity separate from that of its members. One doing business with a corporation must rely not upon the standing or character of its members (stockholders), but upon his knowledge of the financial condition of the corporation, and upon such safeguards as the law has established in regard to the transaction of the business of corporations.

"Under authority of the state." This regulation of the organization and powers of corporations by state statute will be treated later more specifically.

"Power of succession." The death or withdrawal of one or all of its members has no effect whatever upon the life of a corporation. Such an occurrence would merely result in a transfer in the ownership of the stock affected. The active management not being vested in the shareholders, changes in the personnel of shareholders do not affect the conduct of the corporation's business.

"As a single individual." This relates to business and legal acts only. The corporation acts through its agents (officers and employees) acting under authority of the directors.

Classification

There are three kinds of corporations: (a) Public or Municipal Corporations; (b) Quasi-Public Corporations; (c) Private Corporations.

(a) *Public Corporations* are those which are created entirely for the benefit of the community at large, and in which every citizen is assumed to be interested. Their purpose is governmental. Cities, towns, villages, drainage districts, etc., are public corporations. Not being organized for profit, they issue no stock. They exercise jurisdiction over given territories through ordinances of their own making.

(b) *Quasi-Public Corporations* (quasi = in a manner). These are organizations with more or less public functions, but not so fully endowed as are public corporations. They may sue and be sued as corporations, and they may hold property for certain purposes, but they do not pass ordinances, neither do they have a seal. Of this sort are school districts, counties, townships, boards of commissioners of highways, etc.

(c) *Private Corporations*. A corporation which is organized by private enterprise

for the financial profit of its members is a private corporation, even though the objects for which it exists may be more or less of a public nature. A railroad company or a gas company is a private corporation. It is a private corporation if it issues stock. It is private corporations which are to be especially treated of in this section.

A private corporation, the business of which is of the nature of a public utility, and which operates under a franchise granted by the public, may be controlled by the public in those matters affecting the public's interests. This has reference to such enterprises as railway, telegraph, telephone, gas, or water companies. Such corporations are sometimes classed as quasi-public.

A franchise is the right granted to a company by local, state, or national authority to use the public streets or highways for the purposes of conducting its business.

Advantages

The advantages of conducting a business under corporate management instead of individual or copartnership management may be enumerated as follows:

1. Stockholders are not liable individually for the debts of the business, if their stock is paid up.*
2. The corporation is not dissolved by the death, or other disability, of one or all of the stockholders.
3. New capital may be secured by the selling (with the sanction of the state) of new stock (usually preferred stock), thus avoiding the admission of special partners.
4. The interest of one stockholder may be transferred either in whole or in part to some one else without in any way affecting the organization.
5. Money can be borrowed more easily by a corporation than by a proprietary business of equal standing. This is accomplished by the sale of bonds. The advantages of borrowing under the bond issue plan will be explained later.
6. Exclusive right to the use of a certain name in a given state can be secured.

THE PROCESS OF INCORPORATION—(ILLINOIS) †

Creation

A corporation may be created only under the authority and by the power of the state. Formerly, each corporation was created by a special enactment of the legislature. This, it was soon discovered, was a prolific source of legislative corruption and favoritism, and general statutes were provided in many states under the provisions of which corporations could be formed by any persons who would comply with them in every detail. As corporations increased in popularity, more and more of the states enacted these general provisions, until now any other manner of incorporation is forbidden by constitutional provision in all but seven states.

The provisions of these general statutes in the different states vary widely. When, therefore, it is sought to organize a corporation in a given state a copy of the corporation statutes of that state should be procured and its provisions followed closely.

The Illinois state laws relating to the incorporation of companies distinguish between private corporations created for purposes of profit and private corporations not created for purposes of profit, and make special provisions for each class. Special provisions are also made for cemetery associations, co-operative associations, educational institutions, elevated railroads, foreign corporations, free public libraries, gas companies, Grand Army of the Republic, title guaranty companies, juvenile reformatories, pawnbrokers' societies, railroads and street railroads; and for the punishment of persons forming combinations in restraint of trade.

*Varies in different states. See page 76. *Look up this and similar references at the time your attention is first called to them, as your attention will be called to them but once.*

† In order to present, in a concrete form, some one definite process of incorporation, we have given on page 7 the exact steps in this process for corporations formed in Illinois. For an outline of the necessary steps in various states, see page 73.

Persons desiring to form a corporation in Illinois must file with the secretary of state an affidavit that they are not connected with any trust or combine the purpose of which is to restrain competition or trade, to limit production or to fix prices. Corporations are required to make affidavit to this effect annually.

Application

Whenever any number of persons (not less than three or more than seven)* wish to form a corporation, they must file with the Secretary of State a statement duly acknowledged before a notary public or other officer qualified to take acknowledgments, which statement shall set forth the proposed name, location, object, amount of capital stock and number of shares, the duration of the corporation and such other facts as may be required by the laws of the state.

The License to Solicit Subscription

If the application is approved, the Secretary of State will issue to the applicants a license as commissioners to solicit subscriptions.

Meeting of Subscribers

After the capital stock shall have been fully* subscribed the commissioners must convene a meeting of the stockholders for the purpose of electing directors. The directors then appoint the officers of the corporation.

The Certificate of Incorporation

The law of the state requires at least one-half* of the subscription to be paid in. It may be paid in in cash, in property or in nominal assets such as good will, franchise, etc.* When the amount called for has been paid in to the commissioners, they must make to the Secretary of State a full report of all proceedings, accompanied by proofs that the provisions of the state statutes have been complied with in every respect.

This report must state what amount of the capital stock has been paid in in property other than cash; the board of commissioners appraises the value of such property. It will be seen from this that the state exercises no discretion in the matter of the values of such property items, this being left to the commissioners. Subscribers paying in cash in order to protect themselves, should, therefore, make it a point to find out how the other subscriptions are being paid. Subsequent purchasers should observe the same precaution. Stockholders have a legal right to these facts, and persons intending to become stockholders should insist upon ascertaining the facts before investing.

These "proofs" consist of affidavits made in due form before a notary public and attested by him.

The various "provisions" above referred to relate to such matters as the adoption of rules for the regulation of the corporation; presenting a list of the names of incorporators, directors and officers; a plan for the signing and acknowledgment of the application; advertisement of the application; proportion of capital stock which shall be subscribed for (100%); rules governing the amount of indebtedness which the corporation is authorized to incur; method of filing the completed certificate, etc. There are so many of these special regulations that complete enumeration of them cannot be attempted in a work of this kind. It is sufficient to call attention to their existence and to advise that no one should attempt to form a corporation without a very careful study of the corporation law of the state.

When the corporation has complied with the provisions of the statutes in every respect, the Secretary of State will forward a Certificate of Incorporation.* This is a formal document under the Seal of the State, granting the corporation the power to conduct business as specified in its application, subject, of course, to the general incorporation law of the state. Before the corporation may commence business, this certificate must

*Varies in different states. See page 76.

CERTIFICATE OF INCORPORATION

STATE OF ILLINOIS
DEPARTMENT OF STATE

James A. Rose  **Secretary of State**

To all to whom these Presents Shall Come, Greeting:

Whereas, a STATEMENT, duly signed and acknowledged, has been filed in the Office of the Secretary of State, on the _____ day of _____ AD 19____, for the organization of the _____ under and in accordance with the provisions of "AN ACT CONCERNING CORPORATIONS" approved April 18, 1872, and in force July 1, 1872, and all acts amendatory thereof, a copy of which statement is hereto attached;

And Whereas, a LICENSE having been issued to _____ as Commissioners to open books for subscription to the capital stock of the said Company;

And Whereas, the said Commissioners have on the _____ day of _____ AD 19____, filed in the office of the Secretary of State a report of their proceedings under said License, a copy of which report is hereto attached;

Now Therefore, I JAMES A. ROSE, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby certify that the said _____ is a legally organized Corporation under the laws of this State.

In Testimony Whereof, I hereto set my hand and cause to be affixed the great Seal of State.

Done at the City of Springfield, this _____ day of _____ AD 19____ and of the Independence of the United States the one hundred and _____

SECRETARY OF STATE

be filed with the Recorder of Deeds of the county in which the principal business of the company is to be conducted.

The certificate of incorporation is variously designated in the different states as "Articles of Incorporation," "Certificate of Organization," and "Certificate of Incorporation." In many states, formal certificates are not issued.

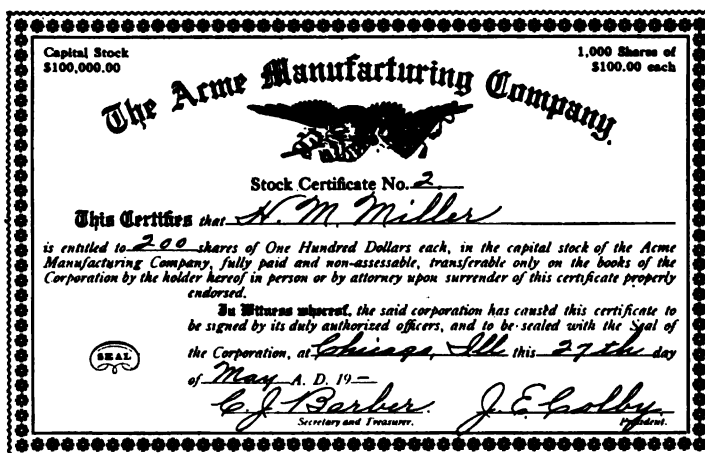
When corporations are formed under special statutory enactment, the formal document granted by the state is called a Charter.

The term "charter" has two meanings, one special, the other general. When a corporation is formed by a special statutory enactment of the legislature the formal document prescribing the rights and powers of such corporation is termed a "charter." When a corporation is formed under the general corporation law of the state, the term "charter" means the contract relation between the state and the corporation. In this case it is not a formal document. The certificate of incorporation is often called "the charter," although, strictly speaking, it merely evidences the existence of a charter, or charter relations.

Before any general incorporation laws were enacted formal charters were issued to all corporations, and existing corporations which were formed in those days still hold their powers under the charters then granted them.

CERTIFICATE OF STOCK AND STUB

The Acme Manufacturing Co.
 Stock Certificate
 No. 2
 For 200 Shares.
 Issued to
H. M. Miller
Champaign, Ill.
 Dated May 27, 19--
 Posted to Stock Ledger Fol. 10
 Transfer Record
 From Original Sub.
 Date _____ 19__
 Orig. Cert. No. _____
 No. Orig. Shares _____
 Posted to Stock Ledger Fol. _____
 Received this Certificate.
 *Signature of H. M. Miller.



CAPITAL STOCK

Definition

Capital stock is the amount paid in or to be paid in for carrying on the business, and for the benefit of the corporation creditors.

"Capital Stock" does not mean the same as "Capital." The capital stock is fixed and invariable. The capital is the amount of net assets at any time, and may be greater or less than the capital stock.

Division

Capital stock is divided into shares, usually of a face value of \$100.00. In Illinois the shares may vary from \$10 to \$100.00.* A share is the *right* which its owner has in the management, profits and ultimate assets of the concern. It is itself an intangible interest

*Varies in different states. See page 76.

resembling a partnership interest, while the physical evidence of its existence is the stock certificate. Stock certificates are personalty, not realty; yet strictly speaking they are not personal property, but are of the nature of choses in action.

Kinds of Stock

(a) *Common Stock* is the ordinary stock of the company. If a company issues but one kind of stock, it is Common Stock.

* (b) *Preferred Stock* is stock that has a preference as to dividends or as to assets or both. "Preferred as to dividends" means that if there are not enough dividends to satisfy the holders of both the preferred and common stock, the holders of the preferred stock must be satisfied first; what is left of the dividends will be given to the holders of common stock; this is what is usually meant by "Preferred Stock." "Preferred as to assets," means that in case the corporation fails, or for any other reason is dissolved, and it becomes necessary to divide the assets, the holders of preferred stock will be satisfied before any of the assets are given for the satisfaction of the holders of common stock.

There are two good reasons which justify the issue of preferred stock. *First:* Common stockholders wishing to avoid a special assessment to cover a loss or deficit, are willing to issue preferred stock. The effect of the issue is that the common stockholders sacrifice their future profits to the preferred stockholders by unanimous vote, choosing this step rather than an immediate cash loss through assessment. *Second:* The holder of common stock and the holder of preferred stock both understand perfectly well what they are buying, and the distinction between preferred or common stock is borne in mind when the price of either is determined upon. Investors would not buy the preferred stock, except on the understanding that their dividends would be assured them whether the common stockholders received anything or not. When there are several different kinds of stock, a separate account should be kept for each.

Participating Preferred Stock is that which is not only preferred as to the rate of dividend to which its holders are entitled, but also participates, or shares, in any profits remaining after the common stockholders have received a specified rate of dividend.

Non-participating Preferred Stock is that which is not in any case entitled to any greater rate than the rate for which it is preferred. In a very prosperous business common stock will sometimes receive a higher dividend than non-participating preferred stock, because the non-participating preferred stock is entitled to dividends up to only a certain per cent, and the common stock is entitled to all the rest, which may, in such a business, be more than that which was apportioned to the non-participating preferred stock.

Cumulative Preferred Stock is preferred stock which is sold under an agreement that any dividends which the corporation is unable to pay its holders up to the per cent for which it is preferred will be made up if possible from future distributions of dividends; and that holders of common stock are not entitled to any dividends until all arrears on the cumulative preferred stock are fully paid.

There may be several grades of preferred stock as follows: First preferred; Second preferred; etc.

Guaranteed Dividends are sometimes offered on stock in one corporation which is owned and backed by a larger corporation amply able to make the guaranty.

Treasury Stock is that stock which is held by the company for future sales. *In states requiring that all of the capital stock be subscribed for before the existence of the corporation begins, treasury stock can exist only when the corporation has bought back or otherwise acquired some of its own stock. (One method of raising funds is for stockholders to donate a part of their stock, by the sale of which additional money is secured.)

*See page 76.

Dividends on treasury stock are usually returned to the loss and gain account of the corporation. Treasury stock cannot be voted, since it represents the interests of no individual stockholder.

Watered Stock is that which is issued within the charter limitations, but which is not supported by the actual value of the assets of the corporation.

Spurious or Overissued Stock is such as is issued in excess of the amount named in the charter. It is absolutely void.

Stock Values

The amount named in the stock certificate is known as the *nominal, par or face* value. It is fixed and unchangeable. The *market value* is what the stock sells for in the market. This is determined largely by its earning power or dividends. The *real, intrinsic or liquidation* value is what the stock would be worth on final dissolution when all assets are converted into cash and all debts paid. The *book value* of stock is its value as ascertained from the records of assets and liabilities as shown by the books. Often this is greater than the intrinsic value, as it is not always possible to sell assets at the prices at which they are entered in the books.

The intrinsic value of one share is found by dividing the total intrinsic value of the corporation's stock by the number of shares. The book value of one share is found by dividing the total book value of all the shares by the number of shares.

Many factors enter into the determination of the selling price of stock. Primarily, of course, the intrinsic value must be considered. Next in importance comes earning power, or dividends. In addition to these there are many conditions that affect its stability, such as the reputation of its officials for honesty, public confidence in the conservatism and wisdom of its management, and the future prospects of the corporation's success. Finally, there must be considered the influences that affect the fluctuations of the market from day to day. Heavy buying on the part of influential houses will cause prices to rise. Heavy selling by those supposed to "know" will cause prices to go down. (Fictitious buying and selling are sometimes resorted to by stock market manipulators.) Rumors that some captain of industry is interested in a certain stock will inflate its price. The death of one prominent in the financial world will temporarily depress prices. Rumors of consolidation will often improve stocks. Rumors of war, or financial panic, will hurt them. And so on.

Stock Transfers

Stock may be transferred from one owner to another by sale. The certificates of the stock sold must be endorsed by the seller over to the buyer. The voting power of the stock is transferred with the ownership. It is not necessary that the consent of other stockholders be secured, and the transfer does not in any way affect the conduct of the corporation's business.

It is often customary for companies to take up old certificates and issue new ones in their place, when stock is transferred. When this is done, a proper record of the transfer of ownership should be made on the books of the corporation.

A subscriber for stock who has not yet fully paid for it may transfer his ownership of the stock by selling it. But he cannot transfer his obligation to pay for the balance for which he has subscribed. The state granted the charter on condition that he would pay the amount for which he subscribed and creditors have extended credit to the corporation upon the assumption that he would do so. He will be held for the full payment of his subscription.

Dividends

A private corporation, like any other private business, exists for the purpose of earning profits for the investors. A part of the profits is periodically distributed to the stockholders. The amounts so distributed are called dividends. Dividends of a certain rate per cent on the capital stock are declared by vote of the directors. They are appropriated from the earnings of the company. Should the directors declare a dividend in excess of the earnings the excess would have to be paid out of the capital of the company and the directors would be held personally responsible by law to the corporate creditors for the amount of the excess. It is not lawful to impair the amount of the capital of a corporation for the payment of dividends.

Should a corporation be unable to pay as large a dividend as might be wished, the directors might be tempted to declare a large dividend anyway, paying it out of the capital. This is against the law. Such a course would deceive investors and would cause a diminution of capital which would be unfair to creditors, for whose protection the law has declared that the capital shall not be used except for purposes of carrying on the business.

Assessments

When the books of a corporation show a deficit because of continued losses, it is sometimes decided by unanimous vote of the stockholders that the deficit shall be met by the assessment of the stockholders rather than that the assets of the corporation be allowed to diminish.

Management

The management of a corporation is vested in a board of directors.* These directors are elected by vote of the stockholders. The stockholders, as individuals, have no power whatever in the management of the corporation or in the transaction of its business. The directors, as might be inferred from their title, direct the affairs of the corporation, but they do not transact the business of the corporation. The actual business is transacted by officers appointed by the directors (President, Vice-President, Secretary, Treasurer, etc.), and by persons they may employ.

The fact that you are a holder of stock of the Chicago & Alton R. R. does not authorize you to transact any business for that railroad. You have voting power in proportion to the amount of stock you own, and can vote for the directors and on certain questions of policy, but that is as far as your powers extend.

The fact that you are a director of the Chicago & Alton R. R. does not imply that you have any authority to sell tickets to passengers. Your authority as director is limited to the right to vote on questions of management and policy.

The authorized agents and employes of the corporation transact its business. They may be removed at the instance of the directors, but the directors are not authorized to transact the business which the employes are employed to perform. Again, the stockholders may by vote remove the directors, but the stockholders are not authorized to perform the work of the directors.

Voting

Shareholders vote upon who shall be the directors of the corporation; whether new stock or bonds shall be issued and sold; and on matters relating to the existence of the corporation, to the widening of its scope of operations, to the increase of its assets, or to its dissolution. A shareholder may cast as many votes as the number of shares which he holds. When a person or group of persons own more than one-half of the voting power

*For No. of directors see page 77.

of the corporation, they are said to own a "controlling interest" in the corporation, since they can, by their votes, control its acts and policies.

Cumulative Voting is the plan of voting which enables the holder of stock to protect his own interests by casting all of his votes for one director. It enables the minority stockholders to elect one director who will safeguard their interests. Illustration: A is the holder of 40 shares of stock in a corporation which is voting upon the election of three directors. B and C, the other members of the corporation, together own 60 shares. Under the ordinary plan of voting, B and C could elect the entire directorate. Under the cumulative plan of voting, A may cast his 40 votes three times for one director, instead of once for each of three directors. This gives him a total voting power of 120 votes with which he can elect one director. B and C, who own 60 shares, have a total voting power of 180 votes with which they can elect two of the directors. If A had been compelled to cast his votes separately for three directors, casting only 40 votes for each director, B and C would thereupon have cast 60 votes for each director; and thus B and C would have elected the entire directorate.

The directors vote as individuals, each director being entitled to one vote. The President and other officers, as such, have no voting power. It frequently happens, however, that the officers are also directors; they then have the right to vote as directors.

Powers of Stockholders

Individually, stockholders are entitled to vote at their meetings, to share in the corporation profits, and to share in the corporate assets in case of dissolution. They may examine the books of the company at any reasonable time. They may pledge their stock as security for their personal debts, and still retain the right to vote the stock, and to share in its dividends.

In Illinois, stockholders have the right to vote by the cumulative plan.* They may cast their votes by proxy if they wish.*

Collectively, the stockholders elect the directorate and vote upon matters of corporate policy as enumerated in the paragraph on *Voting*.

In Illinois, a majority of the stockholders may remove directors for cause, or may change the number of directors. Two-thirds of the stockholders may call a meeting at any time. They may dissolve the corporation.

Liability of Stockholders

As has been previously stated, stockholders in a corporation are not liable personally for the debts of the corporation. Should the corporation fail, they may lose the amount they have invested, but in most states they are not liable further. Some states, however, have enacted provisions making members of a corporation liable to creditors to an amount in addition to their investment, which amount varies in the different states.* Under the National Banking Act, a stockholder in a National Bank is held liable to creditors to an additional amount equal to the par value of his capital stock.

A stockholder is always liable to creditors for the amount of his unpaid subscription. Agreements among stockholders that the entire amount of subscriptions need not be paid in, are binding among themselves, but are of no effect as against creditors when the working capital of the corporation is exhausted and creditors demand payment. Stock not fully paid up may be transferred to another, but the obligation of the original subscriber to pay his balance is not canceled thereby. Even the dissolution of the corporation will not relieve the subscriber from liability to creditors on his unpaid subscription.

*See page 76.

Duties of Directors

They appoint the officers and agents of the company and have authority in matters relating to the management. In many states they make the by-laws; i. e., rules for internal government of the company. Important contracts, such as the borrowing of money, should be authorized by the directors. The directors act as a body; a director has no individual authority.

In Illinois the directors may levy assessments for installments on stock. They may hold meetings outside of the state provided the action of such meeting be ratified by a later meeting held within the state.

Powers of the Corporation

Corporate powers are of two kinds: (1) Powers incidental to corporate existence, arising from the very nature of a corporation. (2) Charter powers.

(1) *Incidental powers* may be briefly outlined thus:

The endowed power of succession.

The right to maintain and defend suits at law.

The right to hold property, except that a corporation may not hold real estate not necessary to its existence and the transaction of its business.*

The right to the exclusive use of a certain name in a given state.

The right to have a common seal.

The right to make by-laws, i. e., rules for internal management.

The right to remove officers and even members, for just cause.

(2) *Charter powers.*

Since the charter includes the powers applied for and the whole law of the state, charter powers are: (a) Those powers which are specifically enumerated in the Company's application. (b) Those specifically granted by the statute.

A person may, as a general rule, do anything not specifically forbidden by law. A corporation may do only what is granted by law. Powers need not, however, be expressly granted; they may be implied. Illustration: The power to issue negotiable paper or bonds, and the power to pledge corporation property, are implied when the statute expressly grants the power to borrow money, because money cannot be borrowed unless one of these things be done.

The power to transact the business specified in the application for the charter usually carries with it the following implied corporate powers:

To borrow money.

To issue commercial paper or bonds.

To become surety or guarantor in the usual course of business, but not to issue accommodation paper, or to assume other obligations not arising from the transaction of its business.

To loan money.

To acquire and enforce a lien upon its own stock* or stock of other corporations when such stock is held by a debtor, but not (generally) to take stock in other corporations as an investment.* To hold its own stock as treasury stock (except when this privilege is expressly denied by statute).

Following is a list of important powers often granted by state statute:

To accept property, services or intangible assets in lieu of cash in payment for stock.*

To collect from subscribers in installments.

To declare stock forfeited for non-payment of installments and to sell such stock in satisfaction of the company's claim.*

*See page 76.

- To classify directors as to time of expiration of office.*
- To consolidate with other corporations, if not competitive.*
- To extend its corporate existence.
- To change its corporate name.
- To increase or decrease its capital stock.
- To dissolve without recourse to the courts.
- To retain a part of its original capital stock as treasury stock.
- To purchase its own capital stock.*
- To purchase stock in other corporations and hold the same as an investment.
- To issue preferred stock.

In studying the foregoing enumerated powers, two things must be borne clearly in mind:

- (1) That the exercise of any of the powers above enumerated may be prohibited or restricted by statute in any State, and that generally (in the case of statutory powers) the failure of the statute to specifically grant the power constitutes a prohibition.
- (2) That a corporation may not transact any business except that for which permission is given in its charter.

CORPORATION ACCOUNTING

Corporate Records

- | | | |
|-----------------------------------|---|---|
| (a) Stock Records..... | } | 1 Subscription Book.
2 Stock Certificate Book stub.
3 Stock Ledger.
4 Installment Receipt Book stub.
5 Installment Ledger |
| (b) Official Record..... | | Minute Book. |
| (c) Operation or Business Records | | Including books of original and subsequent entry necessary for recording the transactions of the business. |
| (d) Profit Distribution Records. | | |

The members of the corporation sustain a different relation to the corporation itself than do partners to their business. The distinctive feature of corporation accounting is its manner of keeping the records to express this relation. The ordinary business of a corporation is recorded in the same way that the business of any partnership or proprietorship is recorded.

Corporation accounting differs from other accounting in the records for organization, and the plan for the distribution of profits. If a partnership or proprietorship be changed to a corporation it is not necessary to make any change in the books of accounts so far as they express the relation of the business to its debtors and creditors, but it is only necessary to make such changes as are necessary to show the interests of those who are associated together in the business, and the plan for distributing the profits.

(a) *Stock Records:*

The stock records of a corporation are those in which account is kept of the stockholders' interests, and the transfers thereof as they may occur. These consist of:

1. Subscription Book or List, in which are shown the names of subscribers and the amounts of their subscriptions.
2. Stock Certificate Book Stub. As the certificates of stock are issued, records are made on the stubs from which the certificates are detached. These records are posted to the Stock Ledger.

*See page 76.

3. Stock Ledger, showing each member's holdings of fully paid stock, for which certificates have been issued.

4. Installment Receipt Book stub. As receipts are issued for part payments on stock, records are made on the stubs. These are posted to the Installment Ledger.

5. Installment Ledger, containing each member's account with the corporation for stock subscribed for by him.

(b) *Official Records:*

The official records are kept in the Minute Book. This book should contain an orderly record of the business transacted at all meetings of directors as well as at all meetings of stockholders. To keep the Minute Book properly is a work of great importance, and what is written in this book should be written by one who is familiar with the laws governing corporations. Minutes of important meetings should be approved by an attorney.

(c) *Operating or Business Records:*

As has been previously stated, these records would not necessarily differ in the books of a corporation from records of the same kind in any other business. No attention will be devoted to them at this point.

OPENING ENTRIES

The *Capital Stock* account in the General Ledger of a corporation corresponds to the investment account of a proprietary business, since it represents the total of the interests of all investors. (Bondholders are investors, in a sense, yet the relation of the bondholders to the corporation is not, strictly speaking, that of investors, but of creditors.) In opening a set of corporation books it is therefore necessary to credit the capital stock account for the total amount of stock authorized. The capital stock account is a controlling account, the amount shown therein being at all times equal to the aggregate of the stock issued to the various stockholders, plus that reserved as treasury stock in the hands of the Treasurer as trustee.

We will consider the opening entries for five different conditions:

CONDITION 1. Capital stock all paid in in cash, \$100,000. This is the simplest transaction possible.

Cash,	\$100,000	
Capital Stock,		\$100,000.

In the stock ledger open an account with each stockholder and credit him for the par value of his stock.

CONDITION 2. Capital stock, \$100,000, all subscribed for but only \$50,000 paid in in cash, the balance to be paid on call of the directors. In this case the installment ledger is generally used.

(a)	Subscription,	\$100,000.	
	Capital Stock,		\$100,000.

Explanatory: Use the facts of the subscription list as an explanation, showing subscribers' names and amounts subscribed for.

(b) Debit each subscriber in the Installment Ledger for amount of his subscription. By this method the Subscription Account opened in the General Ledger is in the nature of a Controlling Account, as the aggregate of the Installment Ledger should always agree with it.

(c) As each subscriber pays, Cash is debited and Subscription credited in the General Ledger. The subscribers will be credited individually in the Installment Ledger.

Should the subscriptions not be sufficiently numerous to warrant a separate Installment Ledger, the subscription account in the general ledger should be kept in this way. On the debit side enter the names of the subscribers, allotting each one as many lines as the number of installments he is expected to pay. As the installments are paid in, debit Cash and credit Subscription, entering the individual credits in the subscription account opposite the name of the subscriber making the payment. In this way, the subscription account will exhibit a general result, and in addition it will be possible to determine from it the condition of the account of each subscriber.

CONDITION 3. Capital stock not fully subscribed for and the subscription not fully paid in in cash. Illustration: In this case let us assume the capital stock to be \$100,000. \$80,000 is subscribed for. \$20,000 is held as treasury stock for future subscription. Of the part subscribed for, \$40,000 is paid in in cash and balance subject to call. Entries:

(1) Subscription,	\$80,000		
Treasury Stock,*	\$20,000		
Capital Stock,		\$100,000.	
(2) Cash,	\$40,000		
Subscription,		\$40,000.	

In states where the law requires that all stock be subscribed for before a charter will be issued, there would be no occasion for making these entries.

CONDITION 4. Changing from a partnership to a corporation. When the capital stock of the organization is to be the same as the total of the interests of the proprietors, it is only necessary to open a capital stock account and close the proprietors' accounts into it. This will leave the books in balance. The proprietors' interests should then be separately shown in a stock ledger.

However, it is not at all uncommon in changing from a partnership to a corporation to organize for more than the total of the partnership interests. In such cases the balance of the books would have to be maintained by the creation of special accounts such as *good will, copyright, patent right, etc.*, which would be debited for enough to make up the difference and keep the books in balance.

It must not be inferred that corporations should arbitrarily create accounts with these intangible assets (good will, patent right, copyright, etc.) and record them at any value they wish. Such an asset should be entered on the books at its actual worth, and of course should not be entered at all if it does not exist. Stock is "watered" by the unfair use of these accounts.

Illustration: If a partnership in which the interests of the proprietors should aggregate \$30,000 should capitalize for \$50,000, the difference of \$20,000 would represent the nominal assets such as good will, etc. Accounts should be opened with good will, etc., and debited in the aggregate \$20,000. The proprietors' interests in the \$50,000 of capital stock would bear the same proportion to each other as their investment accounts had borne to each other before the change from a partnership to a corporation was effected.

The business of the corporation can be kept in the same books that were used by the partnership, or the accounts can be transferred from the old books to an entirely new set.

CONDITION 5. J. R. Conway has invented an Adding Machine and had it patented. He does not have the funds to begin the manufacture and sale thereof. A corporation

*Some accountants would prefer to call this Unissued Stock, considering Treasury Stock to be only stock bought back by or donated back to the company

is organized with a capital stock of \$200,000.00. The services of a promoter are engaged, and Fred H. Barnes, E. G. Howard and J. C. Williams, capitalists, are interested in the venture. The stock is issued at a par value of \$100.00 per share as follows:

J. R. Conway, 850 shares, paid for in full by his Patent Right, valued at \$85,000.00:

D. B. Decker, promoter, 100 shares in full of his services.

Fred H. Barnes, 500 shares, to be paid for by real estate valued at \$50,000.00, to be deeded to the company and used as a factory site.

E. G. Howard, 400 shares, to be paid for in Sundry Machinery and Tools from his own factory, which he has decided to abandon. Property value, \$17,850.00. The balance he pays in cash.

J. C. Williams, 150 shares, paid for in cash less a stock discount of 5%: What entry?

Patent Right	\$85,000.00	
Promotion Expense,	10,000.00	
Real Estate,	50,000.00	
Machinery and Tools,	17,850.00	
Cash	} E. G. Howard, \$22,150.00 J. C. Williams, 14,250.00 }	36,400.00
Stock Discount,			750.00
Capital Stock,		\$200,000.00

Promotion Expense. It is customary to engage promoters in new ventures, because of their connection with capitalists who are seeking investments. For his services, the promoter is generally paid in cash or in stock of the new company or both. His services are an expense to the business, and should be charged to "Promotion Expense." This account stands as an asset, although a very doubtful one. It should gradually be written off into Loss & Gain until wiped off the books.

Stock Discount. This is an allowance which is binding between the company and the stockholder, but should a creditor attack the corporation and the firm assets be insufficient to pay its debts, the stockholder could be compelled to pay the balance due on the par value of his stock. Too much emphasis cannot be laid upon the necessity for caution in the matter of buying subscription stock that is not fully paid up. The buyer incurs a liability for the payment of the balance. Such stock is not cheap, even if given to the subscriber. In case of the failure of the corporation, it may eventually cost him full par value, for he may be held by creditors for the full amount of the unpaid balance.

EXERCISES

Journalize

Jan. 1, 19—. The National Adding Machine Co. has incorporated with a capital stock of \$70,000.00, all paid in in cash.

Feb. 1, 19—. J. C. Walker, patentee of a wheel brake for wagons, has organized the Walker Wheel Brake Company, a corporation for manufacturing and selling the device. The total capital stock of the company is \$200,000.00, of which Mr. Walker is allowed 75 shares of \$100.00 each, as fully paid up, for his patent. The rest of the capital stock is paid in in cash.

March 1, 19—. The \$100,000.00 capital stock of the Wheeling Coal Mining Co. is all subscribed for, but only 65% is paid in, the balance being payable upon call of the directors. Of the amount paid in, \$50,000 was paid in cash by subscribers A, B, C, and D; \$10,000.00 was given by the company to E. G. White, owner of the land, for a ten-year lease on the land; and \$5,000.00 was given to H. A. Swigart for promotion services.

*Apr. 1, 19—. A corporation has been organized under the name "The Burwick Soap Co.," capitalized at \$150,000.00. Two-thirds of the capital stock has been subscribed for. \$80,000.00 has been paid in, as follows, the balance being payable on call: Cash from stockholders A, B, C, and D, \$50,000.00. Real estate, from A. G. Sedgwick, \$10,000.00. Mdse and good will, from G. H. Bronson, \$8,000.00 and \$7,000.00, respectively. Promotion services of Benj. H. Waters, \$5,000.00.

*This problem not applicable to an Illinois corporation.

*May 1, 19—. The Metallic Motor Co., Inc., has been organized with a capital stock of \$90,000.00. 80% of this has been subscribed, half paid in, balance payable on call.

June 1, 19—. A call has been issued by the directors for half of the unpaid balances on subscriptions to the stock of the Metallic Motor Co., Inc. All of this is paid in in cash, except \$5,000.00, which amount was paid in by one of the stockholders in U. S. 2% Gold Bonds of 1913.

July 1, 19—. A. C. Brink owns a factory site worth \$10,000.00. C. E. Gailey owns a patent right worth \$12,000.00. F. W. Schramm owns machinery worth \$10,000.00. H. H. Harris agrees to promote the organization of a \$100,000.00 corporation for the purpose of manufacturing Mr. Gailey's patented article, and to devote two years of his time to the purpose in exchange for \$10,000.00 stock in the company. Mr. Brink, Mr. Gailey, and Mr. Schramm are to invest the real estate, patent right and machinery above mentioned, receiving stock in equal exchange therefor. The rest of the \$100,000.00 is raised by subscription, 80% of which is to be in cash, the balance upon call.

Aug. 1, 19—. Smith, Cole and Johnson are partners whose respective investments are \$10,000.00, \$9,000.00, and \$6,000.00. They decide to incorporate. They estimate the value of the good will of the business at \$10,000.00, which is added to their investment in determining the amount of capital stock. Smith, Cole and Johnson divided the capital stock in the same proportion as their original investments.

Sept. 1, 19—. During August the books of the new corporation exhibited a profit of \$300.00, and Smith, who wishes to unload his stock, finds a buyer whom he convinces that the company can be relied upon to make a minimum net profit of \$3,500.00 per year, or 10% on its capital. The buyer wishes his money to return him 7% per annum, and purchases Mr. Smith's stock at a price determined by his desire to make 7%, and his belief that the company's profit will be \$3,500.00 a year. What does the buyer pay Mr. Smith? How much does this exceed Mr. Smith's original investment as shown by the partnership books before incorporation?

ACCOUNTS SHOWING DISTRIBUTION OF THE PROFITS

The plan of distribution of the profits of a corporation requires the presence in the ledger of certain accounts not kept in a proprietary business.

The Undivided Profits Account

The profits of the business instead of being carried directly to a proprietor's account or accounts are transferred to an Undivided Profits account. The profits which appear in the undivided profits account are distributed into the various fund and reserve accounts, and the Dividend account. The amount carried to the dividend account depends, of course, on how much is left after the fund and reserve accounts have been cared for.

The Dividend Account

When dividends are declared the total amount of the appropriation for this purpose is transferred to the credit of the dividend account by a proper closing entry, or by a journal entry. This amount remains on the credit side of the dividend account, until paid out in cash to the shareholders. When paid out in cash, the cash account is credited and the dividend account is debited. Sometimes dividends are declared which are not to be paid until some future date. In this case, the dividend account exhibits a balance of the

*This problem not applicable to an Illinois corporation.

amount of dividends declared, but not paid. In such a case, dividend warrants might be issued to the stockholders who would hold them as evidences of debt until time for their redemption.

ISSUING BONDS

A corporation in need of money may secure it by issuing bonds. A bond is the corporation's promise to pay. It corresponds to the promissory note of an individual, except that it is more formal, and is under seal. The following comparison of individual and corporation obligations will shed some light on the nature of a bond:

<u>Individual Obligations.</u>	<u>Corporate Obligations.</u>
Unsecured Note. - - - - -	Debenture Bond.
Principal Note Secured by Mortgage. - -	Mortgage Bond.
Collateral Note. - - - - -	Collateral Trust Note.

The title of a bond may indicate the purpose for which it has been issued, the manner of its redemption, the time of its maturity, the name of the corporation issuing it; or it may indicate any or all of these things. "U. S. 2% Gold Bonds, 1914," is a proper designation for a bond issued by the government, bearing 2% interest, maturing in 1914, and payable in gold. "Municipal Bonds" are bonds issued by cities and other municipal corporations. In one instance bonds issued to raise money for building a bridge were named "City Bridge Bonds."

Debenture Bonds are unsecured bonds, and correspond to the unsecured promissory note of an individual.

Mortgage Bonds are those secured by a mortgage on the corporation's property. "First Mortgage Bonds," "Second Mortgage Bonds," "General Mortgage Bonds," etc., are bonds of this kind.

Money may be more readily secured by the sale of corporation bonds than by the negotiation of a loan by an individual or firm. It is easier to float a bond issue of \$20,000.00 divided into separate bonds of \$500.00 each, than to find one individual or syndicate which will loan \$20,000.00 in a lump sum. Bonds and promissory notes are alike in that both are usually secured by the property of the borrower.

When a corporation issues bonds, a bond account should be opened on the books under a title which sufficiently describes it, as "First Mortgage Bonds," "Bonds of 1920," etc. When the bonds are disposed of for cash, the journal entry is:

Dr. Cash,
Cr. The bond account (under proper title).

If the bond be sold at a discount and a commission be paid an agent for selling, the entry is:

Dr. Cash.
Dr. Bond Brokerage.
Dr. Bond Discount.
Cr. The bond account (under proper title).

The bond account is a liability account the same as the Bills Payable account, since both represent amounts due.

COUPON BOND

United States of America

No. \$ 100

Gilt Edge Maid Mining Company

FIVE YEAR

SIX PER CENT FIRST MORTGAGE BOND.

INCORPORATED UNDER THE LAWS OF THE STATE OF SOUTH DAKOTA

For value received, the GILT EDGE MAID MINING COMPANY, a corporation duly organized and existing under and by virtue of the laws of the State of South Dakota, hereby promises to pay to the bearer or registered holder of this bond, at the First National Bank of Chicago, Illinois, on the first day of April, A.D. 1907, One Hundred (\$100.00) Dollars in gold coin of the United States of America of or equal to the present standard weight and fineness, with interest thereon at the rate of six per cent per annum, payable semi-annually on the first days of October and April, in each year according to the tenor of the coupons hereon attached and until the principal shall be fully paid.

It is expressly understood and agreed that in case the interest or any part thereof shall not be paid on any day when the same is due and payable, or in case default is made by the said Gilt Edge Maid Mining Company, in the performance of any of the covenants contained in the mortgage or trust deed hereinafter mentioned, or in case default be made in the payment of the principal of any of the bonds secured by said mortgage or trust deed, when the same shall become due, and such default shall continue for one month, then the said principal sum shall become immediately due and payable in the manner and with the effect provided in the mortgage or trust deed hereinafter mentioned.

This bond is one of a series of Fifty Hundred (500) bonds of the denomination of One Hundred (\$100.00) Dollars each and numbered from One to Fifty Hundred inclusive, each being of like tenor and effect and amounting in the aggregate to the sum of One Hundred and Fifty Thousand (\$150,000.00) Dollars. All of the said bonds are equally secured by a mortgage or deed of trust dated the first day of April, 1902, duly executed and acknowledged by the Gilt Edge Maid Mining Company and recorded in the office of the Register of Deeds of Lawrence County, South Dakota, to G. S. St. Arsenov, Trustee, conveying all of the real property of the Gilt Edge Maid Mining Company now owned by said corporation or which it may hereafter acquire.

This bond may at the option of the maker be redeemed after one year as a premium of one-half of one per cent per annum for the unpaid home, and may at the option of the holder be redeemed at par and accrued interest from the sinking fund provided for in said trust deed.

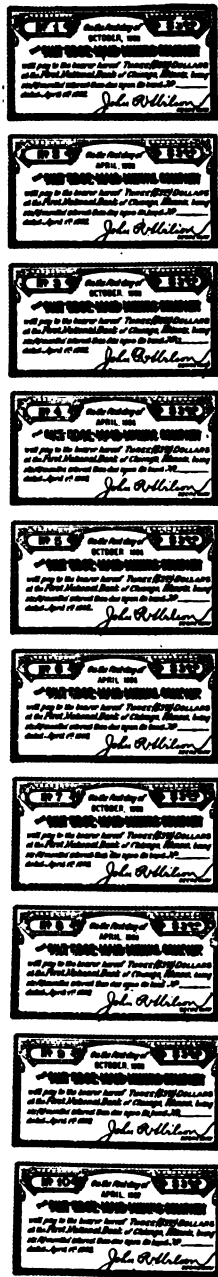
This bond shall not become obligatory until the certificate endorsed hereon shall have been signed by said Trustee.

In Testimony Whereof, the Gilt Edge Maid Mining Company has caused its corporate seal to be hereunto affixed and these presents to be signed in its name and behalf by its President and Secretary and the coupons hereon attached to be attested with the lithographed signature of its Secretary, this first day of April, A.D. 1902.

Gilt Edge Maid Mining Company

By _____ President

Attest _____ Secretary



The coupons, which are shown in the above illustration as attached to the right edge of the bond, may be attached to the bottom of the bond or, when there are many, may constitute a full page which is attached to the bond. Each coupon is a note for a half year's interest and each bears a different date. As each interest payment falls due, a coupon is detached and exchanged for cash. Study the form carefully.

The Bond Sinking Fund

A bond issue constitutes a debt owed by the corporation. The lenders (bondholders), naturally wish to be assured that the debt will be paid at the time agreed upon, i. e., the time of maturity of the bonds. Therefore, it is usually made one of the provisions of the bond that the corporation binds itself to create a sinking fund and periodically to place therein amounts which will in time redeem the bonds. A sinking fund usually, therefore, not only provides for the redemption of bonds at maturity, but operates as a guaranty to bondholders that the bonds will be paid.

Sinking Funds may be treated in either of two ways:

1. When the corporation has bound itself, as explained above, to set aside a part of its profits for the purpose of redeeming the bonds, specific assets, usually cash, should be definitely reserved. If the asset so set aside consists of cash, the proper journal entry is:

Dr. Sinking Fund Assets.
Cr. Cash.

2. When the sinking fund is created for the purpose of meeting a future obligation, but there exists no agreement to set aside specific assets, the corporation may elect to create a merely nominal reserve out of its profits. The proper entry for this would be:

Dr. Undivided Profits.
Cr. Sinking Fund Reserve.

This plan would permit the assets to remain in the business as a part of its working capital, instead of being actually set aside where they could not be touched. The sinking fund reserve so created would be an auxiliary account, subordinate to the Undivided Profits account. It would contain a part of the profits, which part has been taken out of the Undivided Profits account as a precaution, to prevent its distribution as dividends.

ILLUSTRATIONS OF JOURNAL ENTRIES

CONDITION 1. The Western Manufacturing Company is financially embarrassed. A meeting of stockholders has been held, and it has been decided to issue and market preferred stock to raise funds. The stockholders are agreed, and legal permission having been obtained, 2,000 shares are issued at \$100 each, and sold in the open market for cash.

Entry:

Dr. Cash.
Cr. Capital Stock Preferred.

In case of both common and preferred stocks, separate Capital Stock Accounts should be kept in the General Ledger, as well as separate stock ledgers. Each stock ledger will prove with its own account.

CONDITION 2. Suppose some of the larger stockholders at the above meeting had decided to donate 1,000 shares of their stock to the company for future sale, to raise the much-needed funds. The entries would be:

In Journal:

Dr. Treasury Stock.
Cr. Undivided Profits.

In Stock Ledger:

Dr. Donors.
Cr. John Smith, Treasurer (as trustee).

CONDITION 3. Suppose that the company had decided by a unanimous vote to raise the funds by assessment. The following entry would be made.

Dr. Assessment No. 1.
Cr. Undivided Profits (or other suitable account).

On the debit side of the assessment account post the names of stockholders and amount due from each. When they pay, credit Assessment account opposite proper debit.

CONDITION 4. Suppose that the company had decided to issue First Mortgage Bonds to raise the money, and sell them to the public.

No entry would be made, except as the bonds are sold; then:

Dr. Cash.
Cr. First Mortgage Bonds.

CONDITION 5. If the company had decided to establish a Sinking Fund to meet these bonds at maturity and to make deposits with trustees at regular intervals for such purpose, the following entry would be made as each cash deposit is made with the trustees:

Dr. Sinking Fund Assets.
Cr. Cash.

CONDITION 6. When the company creates a reserve for the above sinking fund, the following entry is made.

Dr. Undivided Profits.
Cr. Reserve for Sinking Fund.

CONDITION 7. Suppose that 500 donated shares are sold at \$90.00 per share:

In Journal
Cash \$45,000.00.
Stock Discount, 5,000.00.
Treasury Stock, \$50,000.00.

In Stock Ledger
Dr. John Smith, Treasurer.
Cr. Purchasers.

Paying Off the Bonds

CONDITION 1. The periodical reservations of cash now amount to the total of the bond issue. All the cash so reserved is now used with which to pay the bonds, and the following entry made:

Dr. The bond account (under proper title).
Cr. Sinking Fund Assets.

CONDITION 2. When a nominal reserve which has been created out of the Undivided Profits account has reached an amount equal to the amount of the bond issue, pay off the bonds making the following entry:

Dr. The bond account (under proper title).
Cr. Whatever assets are given in payment (usually cash).

As the contingency for which the Sinking Fund Reserve account was created no longer exists, close this account back into undivided profits by the following entry:

Dr. Sinking Fund Reserve.
Cr. Undivided Profits.

CORPORATION SET

A - Manufacturing Business

Characteristics:

In the following set, emphasis is placed on those transactions and entries which are peculiar to corporations and corporation accounting. The voucher system is used for the payment of bills, no accounts payable being kept. Cost of production is shown through cost accounts which are kept separate from the general expense accounts and which are closed into the Production account. Profit distribution to the reserve accounts and the Dividend account, and the use of the Undivided Profits account, are illustrated in a simple manner.

BOOKS USED

- | | | |
|---|---|-------------------------------|
| Subscription Book.
Stock Certificate Book, and stub.
Stock Ledger.
Installment Receipt Book, and stub
Installment Ledger.
Cash Book—described on pages 28 and 29.
Sales Book—usual form.
Vouchers Payable Register—described on pages 32 and 33.
Journal—usual form.
Petty Cash Book—described on page 36.
General Ledger—usual form. | } | Described on pages 15 and 16. |
|---|---|-------------------------------|

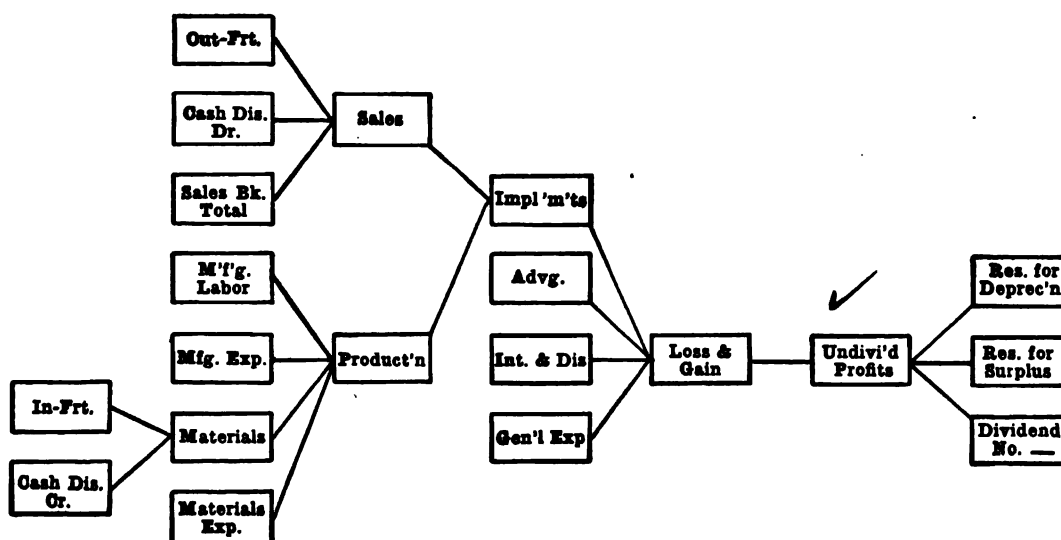
Sales Ledger—This book has an extra column on the credit side for discounts, the net amount received being entered in the general column. Credits are posted to the Sales Ledger on the line exactly opposite the corresponding debits. The sales accounts are kept separate from the general accounts for no other reason than that a different ruling is used. Consider the Sales Ledger as a part of the General Ledger in taking trial balances.

ACCOUNTS KEPT

- Stock Ledger accounts, one-fourth page each.
- Installment Ledger accounts, one-fourth page each.
- Sales Ledger accounts, one-fourth page each.
- General Ledger accounts as follows:

Capital Stock..... 8 lines	Manufacturing Labor..... 21 lines
Subscription..... 12 lines	Manufacturing Expense..... 21 lines
Notes Receivable..... 10 lines	Materials..... 21 lines
Factory & Site..... 12 lines	Materials Expense..... 18 lines
Tools & Machinery..... 12 lines	In-Freight..... 12 lines
Notes Payable..... 10 lines	Cash Discount Cr..... 12 lines
Vouchers Payable..... 12 lines	Sales..... 21 lines
Southern Pine Lumber Co..... 8 lines	Out-Freight..... 21 lines
Weyerhauser & Co..... 8 lines	Cash Discount Dr..... 16 lines
Loss & Gain..... 16 lines	Reserve for Depreciation..... 8 lines
Advertising..... 18 lines	Reserve for Surplus..... 8 lines
Interest & Discount..... 21 lines	Dividend No. 1..... 8 lines
General Expense..... 1 page	Dividend No. 2..... 8 lines
Implements..... 21 lines	Undivided Profits..... 8 lines
Production..... 21 lines	Depreciation Accounts..... 8 lines each

CLASSIFICATION OF LOSS OR GAIN ACCOUNTS



EXPLANATION. The above diagram shows the relation of the various loss or gain accounts to each other, and indicates what account each group of accounts closes into. Out-Freight, Cash Discount Dr., and the Sales Book total, close into the Sales account. Manufacturing Labor, Manufacturing Expense, Materials, and Materials Expense close into Production (after In-Freight and Cash Discount Cr., which are subordinate to Materials, have been closed into Materials). Sales and Production, which now exhibit respectively the net returns on merchandise and the gross cost of manufacture, are closed into Implements, which is the Merchandise account.

Implements, Advertising, Interest & Discount, and General Expense, are now closed into Loss & Gain. The net profit shown by the Loss & Gain account is transferred to the Undivided Profits account, from which appropriations are made from time to time for the Reserve for Depreciation, the Reserve for Surplus, and the Dividend accounts.

Note. Reserves and dividends could be taken directly from the Loss & Gain account, thus dispensing with the Undivided Profits account. There are two reasons, however, why this would not be a desirable plan. First, the Loss & Gain account would have to carry a balance (undivided profits) and its result at the time of closing would not be the profit for the period covered by the closing. Second, the distribution of profits directly from Loss & Gain would have the same effect on the result of that account. Under the arrangement suggested in the outline, the Loss & Gain account summarizes the profits and losses, and the Undivided Profits account distributes them, the closing entry always indicating the net profit for the period before depreciation is written off.

Note. The Production account is not closed into the Implements account at the end of the month by the customary closing entry, but the cost of production is transferred to the Implements account by frequent journal entries debiting Implements and crediting Production for the finished implements turned out of the factory, at their estimated cost. At the end of the month there will exist a slight difference between the two sides of the Production account, occasioned by the impossibility of exactly estimating cost. This will be closed to the Implements account.

TRANSACTIONS

A corporation has been organized under the name of The Acme Manufacturing Company, located at 1220 Michigan Ave., Chicago, Ill. Its object is the manufacture and sale of agricultural implements. Its capital stock is \$100,000.00, divided into 1000 equal shares of \$100.00 each. You are employed as bookkeeper, at a monthly salary of \$75.00. The secretary hands you the following subscription list, requesting you to copy it into the proper book of record:

SUBSCRIPTION LIST

We, the undersigned, hereby subscribe for the amount of Capital Stock in The Acme Manufacturing Company set opposite our names and seals; and agree to pay the calls upon the said stock as they shall be made by the directors of said company.

Date	No. of Shares	Amount	Signature and Seal	Residence
19—				
April 8	Two Hundred Shares	20000	J. E. Colby (Seal) <i>Acme</i>	Chicago, Ill.
8	Two Hundred Shares	20000	H. M. Miller (Seal)	Champaign, Ill.
8	Two Hundred Shares	20000	C. J. Barber (Seal)	Chicago, Ill.
8	One Hundred Fifty Shares	15000	R. E. McCarthy (Seal)	Milwaukee, Wis.
9	One Hundred Fifty Shares	15000	W. L. Sampson (Seal)	Oak Park, Ill.
9	One Hundred Shares	10000	A. F. Harvey (Seal)	Waterloo, Iowa.

This subscription list binds and makes responsible the subscribers for stock whose original signatures appear thereon.

Placing a seal after the signature adds solemnity to the contract. When a contract is under seal, consideration is presumed.

The above signatures were duly acknowledged as required by law.

Write headings in your Stock Subscription Book as in the above list, except that the word "Name" is written instead of the words "Signature and Seal" in the second wide column, and copy the subscription list therein. As yours is only a copy of the original subscriptions and signatures, it will not be necessary for you to set a seal opposite each name as shown in the list. In practice the original subscriptions are usually written directly into the Stock Subscription Book.

The narrow column at the extreme right hand side in the blank book is not shown on the list. This column is for the page of the Installment Ledger on which the subscriber's account is kept. Head it "L. F."

Make a journal entry debiting Subscription and crediting Capital Stock, followed by an explanation referring to the list of subscribers on page 1 of the Stock Subscription Book. Date this entry April 9.

In the Installment Ledger debit each subscriber for the amount of his stock subscription, entering the ledger page in the last column of the Stock Subscription Book.

Before making any entries in the Installment Ledger, write the headings of the various columns as shown in the following form:

W. L. SAMPSON

Date		No. Shares	Fol.	Amount		Date		Installment No.	%	Receipt No.	Amount	
19—				19—								
April	9	Subscription	150	1	15000	April	20	1	50%	5	7500	
						May	14	2	25%	11	3750	
							27	3	25%	17	3750	
					15000						15000	

In making an entry in the Installment Ledger use as an explanation the word "Subscription" and the number of shares subscribed for, and enter the page of the Stock Subscription Book from which the item is posted.

The first installment of 50% of the capital stock has been paid by all subscribers in cash. The treasurer hands you Installment List No. 1 and asks you to make the proper entries. Note the date the call was made and the dates upon which the several payments were made.

INSTALLMENT LIST NO. 1

In accordance with a resolution of the board of directors of The Acme Manufacturing Company, a first call of fifty per cent of the capital stock of said company is due and payable on the 10th day of April, 19—.

Date Recd	L. F.	Subscriber	No. Sh.	Installm't	Interest	Am't Recd	Remarks
19—							
April	10	J. E. Colby	200	10000		10000	
	10	H. M. Miller	200	10000		10000	
	10	C. J. Barber	200	10000		10000	
	20	R. E. McCarthy	150	7500	12 50	7512 50	
	20	W. L. Sampson	150	7500	12 50	7512 50	
	20	A. F. Harvey	100	5000	8 33	5008 33	
			50000		33 33	50033 33	

Make a ruling for the above form on a separate sheet of paper and make a copy of the list, which you will preserve.

Make two entries on the debit side of your Cash Book dated April 10 and April 20 respectively crediting Subscription, and one entry crediting Interest and Discount. (The interest was due from McCarthy, Sampson and Harvey because they did not pay the installment promptly upon call.) All three entries are to be made in the General Column. Do not make them until you have carefully studied the form of Cash Book shown on pages 28 and 29, and the explanation below it.

CASH DR.

10—				C. Dis. Dr.		General	
Apr.	10	Subscription	Installm't No. 1	Receipts 1, 2, 3		30000	
	20	Subscription	Installm't No. 1	Receipts 4, 5, 6		20000	
	20	Interest & Discount	Int. on above, as per Inst. List No. 1			33	33
May	11	✓ Sales	per S. B. 1			935	60
	13	J. C. Houston	Inv. of May 3 less 2 %		12 72	623	28
	18	✓ Notes Receivable	as per J2			1120	
	18	Cash Discount Dr			** **		
	20	✓ Balance				****	**
						****	**

EXPLANATION OF CASH BOOK. The regular two-column ruling is used. The left hand column on both debit and credit sides is a discount column. When we receive cash less a discount from a customer, enter the net amount received in the General column, and the amount of the discount in the Cash Discount Dr. column. Post both the discount and the net payment to the credit of the customer. In closing the Cash Book the total of the discount will not be added into the General column, but will be posted to the Cash Discount Dr. account.

Issue installment receipts to the stockholders for the amounts of their first payments, using the following form. When interest is included add the words "and interest, \$**.**" to the paragraph acknowledging receipt.

INSTALLMENT RECEIPT AND STUB

Installment Receipt No. 2
 Dated April 10, 19--
 First installment of 50%
 on
200 Shares
 of \$100.00 each.
 Amount \$ 10000.00
 Installment L. F. 8
 Received receipt for this installment.
 Subscriber.
 *Signature of H. M. Miller.

.....
 \$ 10000.00 200 Shares of \$100 each
The Arme Manufacturing Company
 Installment Receipt No. 2
 Received of H. M. Miller
Ten Thousand & 00/100 Dollars,
 being the first call of 50 per cent on 200 shares of the capital stock of The Arme Manufacturing Company.
 The said shares are set aside for him or his assigns, on condition that he or they fulfill the terms of this contract.
 In witness whereof, we hereunto subscribe our names, in the city of Chicago this 10th day of April, 19--.
E. J. Barber J. E. Colby
 Secretary and Treasurer. President.

.....

CASH CR.

19—				C.Dis. Cr.		General	
May	1	✓	Voucher No. 1	Critchell & Whitney		30000	
	3	✓	Voucher No. 4	C. R. I. & P. R. R.		18	25
	3	✓	Voucher No. 6	Ford & Wilson		8	50
	3	✓	Voucher No. 8	C. B. & Q. R. R.		6	50
	3	✓	Voucher No. 9	Payroll		125	60

	18	✓	Voucher No. 24	Edna Wilson		12	50
	18		Cash Discount Cr. and Vouchers Payable Dr.		**	**	
	18		Vouchers Payable Dr.				***** **
	18		Balance†				***** **
							***** **

†This line and all rulings to be in red ink.

When we pay the full amount called for by any voucher, an entry will be made on the credit side of the Cash Book in the General column, the number of the voucher and the name of the person paid being used as explanation. Should we pay a bill less a discount, the net amount only will be entered in the General column, the discount being entered in the Cash Discount Cr. column. The total of the Cash Discount Cr. column is posted to the debit of Vouchers Payable and to the credit of Cash Discount Cr., and is not added into the General column. The total of the General column is posted to the debit of Vouchers Payable. You have no use for the L. F. column on the credit side of the Cash Book. You may ignore it, or check it as each entry is made.

Write the proper headings in your Cash Book before making any entries.

The signature of W. H. Miller, vice-president, should appear on the receipt issued to J. E. Colby, in place of Mr. Colby's signature, and on the receipt issued to C. J. Barber, in place of Mr. Barber's signature. It is not considered the best practice for an official to sign a receipt issued to himself, even when the receipt has the signature of two officials.

Your teacher will sign the receipts for all officials or will authorize some one to sign them.

Post from the stubs of the receipts to the credit of the subscribers to whom the receipts were issued, as shown in the illustration of W. L. Sampson's account on page 27. The "Receipt No." column is equivalent to a folio column. Enter the ledger folios in the spaces provided for that purpose on the stubs.

May 1. The Acme Manufacturing Company has this day purchased of Critchell & Whitney, Chicago, Ill., their plant located at 1220 Michigan Ave., and other assets, as

follows, Critchell & Whitney retaining all their old accounts, both receivable and payable:

Factory & Site	\$16500.00
Tools & Machinery	13500.00
Materials on hand	4500.00
Implements (finished)	2430.50
G. E. Baker's 90-day note dated April 1	1650.00
Interest on above, ** days at 6%	*. **
M. L. Rankin's note at 6% dated Mar. 11 and due six months after its date	3500.00
Interest on above ** days at 6%	** . **

Payment was made to Critchell & Whitney as follows: Cash was paid for Factory & Site and Tools & Machinery, and an agreement was made to pay the balance, \$*****.**, on July 1, this time being allowed by Critchell & Whitney in which to collect the notes and dispose of the materials and implements on hand.

THE VOUCHER SYSTEM

One of the by-laws of the company is that the bills are to be paid by the treasurer, who must be able to show a voucher for every disbursement of cash, which voucher shall be signed by the president of the company and by the person, firm, or corporation receiving the money. (Your teacher will instruct you as to how these signatures may be secured.) Whenever anything is bought or it is necessary for funds to be paid out by the treasurer for any purpose, you must fill out a *voucher*, showing all necessary facts in regard to the disbursement. This voucher must then be signed by the president, who acts upon authority conferred by the directors.

In every case the voucher is to be made out and signed by the president *at the time the obligation is incurred*, and will remain attached to the stub until time for payment. You will then detach the voucher from its stub and deliver it to the treasurer for payment. He will see that the receipt is signed and the voucher returned to you.

Fill out a voucher for the payment of \$30000.00 to Critchell & Whitney, as shown by the form on page 31.

Note. Vouchers and checks are sometimes combined in the "Voucher check." When voucher checks are used the return of the voucher by the payee is assured, as the voucher check is returned to the drawer through the bank the same as any other check. Banks do not like to handle voucher checks, because they are cumbersome and impose too great a responsibility upon the bank which honors them. From the standpoint of the business man it is objectionable to combine the voucher and check because the voucher is made out at the time the obligation is incurred, while the check should be made out at the time of payment; and for the further reason that the return of the voucher is delayed when it must pass through the bank. On the whole, the plan of issuing vouchers and checks separately is the better.

At the time the voucher is filled out, the amount is written in the form of "Payee's Receipt" (as a convenience to the payee), and the stub is filled out all except the last two lines.

Make out voucher No. 2 for the balance due Critchell & Whitney on July 1. This voucher should contain a list of the items covered by it. The voucher will not be detached until time for payment.

*

FORM OF VOUCHER AND STUB

No. 1
\$3000.00
 Payee Spritchell & Whitney,
 Date May 1 19-
 For Factory & Lumber
and Tools & Machinery
in use at 1221
Michigan Ave.
 Entered in V. Pay. Reg.
 Date Paid May 1 19-

Payee please sign and return promptly

Voucher No. 1

The Acme Manufacturing Company
 To Spritchell & Whitney,
Chicago, Ill.

DATE	FOR WHAT	ITEMS	AMOUNT
19 <u>-</u>			
<u>May 1</u>	<u>Factory & Lumber, 1221 Michigan Ave.</u>	<u>16,000 -</u>	
	<u>Tools & Machinery</u>	<u>1,500 -</u>	
			<u>3,000 -</u>

Payee's Receipt

Authorized by J. E. Seelye

Received of The Acme Manufacturing Company
Thirty Thousand & 00/100 Dollars,
 in full payment of above.

Page

THE VOUCHERS PAYABLE REGISTER

It is now necessary to record Vouchers No. 1 and 2 in the Vouchers Payable Register. All items payable (including cash items payable at once) are entered in the Vouchers Payable Register as soon as the account is contracted or the obligation is incurred; in other words, at the time the voucher is filled out. No accounts payable are opened in the Ledger, because it is the intention of the directors to pay each invoice as it falls due. When bills are paid the fact of their payment is recorded in the proper column. Until paid, the fact that they are unpaid may be readily ascertained by an inspection of the Vouchers Payable Register. There would be nothing gained by keeping accounts with creditors.

The form on pages 32 and 33 shows the first four vouchers. Study the form and its explanation now, copy the headings, and make the entries for Vouchers No. 1 and 2. These two vouchers are for the same transaction but are made separate for convenience.

The transaction on May 1 is quite an important one, and somewhat complicated. You will therefore turn to your Journal, after making the two entries in the Vouchers Payable Register, and make a full memorandum therein of this entire transaction with complete explanations. Write no amounts in the money columns, as this memorandum will not be posted.

As soon as the first two vouchers have been recorded properly, detach Voucher No. 1 from its stub, check the entry on the stub, enter the date of payment on the stub, brief the voucher, and deliver it to the treasurer for payment. Fill out the When & How Paid column in the Vouchers Payable Register.

Briefing the Voucher. For convenience in filing and ease of reference, the voucher should be "briefed." The form of brief is printed on the back of the voucher. The best time to fill this out is when the voucher is detached for payment. The form of brief is simple, and needs no special explanation.

Make the entry for Voucher No. 1 in the Cash Book at this time.

May 2. Bought of D. C. Wade, 2691 Lake Ave., City, 2½ M ft. oak lumber, at \$80.00 per M ft., bill dated May 2, terms 1/10, n/30.

VOUCHERS PAYABLE

No.	Date		Payable to	Address	Dating		Terms	Due Date		
	19—				19—					
1	19—	May 1	Critchell & Whitney	Chicago, Ill.	19—	May 1	Cash	May	1	19—
2		1	Critchell & Whitney	Chicago, Ill.	May	1	2mo	July	1	19—
3		2	D. C. Wade	2691 Lake St., City	May	2	1/10 n/30	May	12	19—
4		3	C. R. I. & P. R. R.		May	3	Cash	May	3	19—

EXPLANATION OF VOUCHERS PAYABLE REGISTER.

Note that this form extends across two pages. The vouchers are entered in the order of their number. The date at the left of the form is the date of the entry. The "Dating" is the date given to the bill by the seller. When goods are shipped to us from outside of the city this dating will be a day or two previous to the date of our entry, unless the invoice be "dated ahead" by agreement. The due date is ascertained from the dating and terms. The bookkeeper should examine the Due Date column daily. A separate space for the year date is given in the Due Date column, as year dates might alternate in this column. The amount of the voucher is entered in the Vouchers Payable Cr. column, the total of which is posted to the Vouchers Payable account in the Ledger. The number

VARIABLE PRICE LISTS

Your teacher will instruct you to use the prices given in the book or will assign to you one of these price lists. If a special price list is assigned, use the prices it quotes on the articles named. On all other articles use the prices given in the text. Always use the same list number for selling prices and buying prices.

BUYING PRICES

ARTICLE	List 1	List 2	List 3	List 4	List 5	List 6	List 7	List 8	List 9	List 10
Oak lumber	\$75.00	\$75.50	\$75.60	\$76.00	\$76.50	\$77.00	\$77.50	\$78.00	\$79.00	\$79.50
Bar steel	3 $\frac{3}{8}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{3}{8}$	3 $\frac{1}{2}$	3 $\frac{3}{8}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{3}{8}$	3 $\frac{3}{8}$
Steel castings	3 $\frac{3}{8}$	4 $\frac{1}{4}$	4	3 $\frac{3}{8}$	3 $\frac{3}{8}$	3 $\frac{3}{8}$	3 $\frac{3}{8}$	4 $\frac{1}{4}$	4	4 $\frac{1}{4}$
Hickory lumber	\$35.25	\$34.25	\$34.00	\$34.50	\$35.00	\$36.00	\$37.00	\$38.00	\$34.50	\$34.00
Ash lumber, clear	39.90	39.80	39.75	39.50	39.25	39.00	38.75	38.50	38.25	38.00
White pine lumber	24.00	24.10	24.20	24.25	24.30	24.40	24.45	24.50	24.60	24.75
8d nails	4.50	4.60	4.70	4.50	4.40	4.30	4.25	4.50	4.40	4.60
Clinch nails	6.10	6.20	6.00	5.90	6.25	5.75	5.80	5.90	6.10	6.20

REGISTER

Vouch. Pay. Cr.	Materials Dr.		Mfg. Labor Dr.		Sundry Accounts Dr.		L. F.	When and How Paid			
					Amount			Account	When		How Paid
									19—		
30000					\$16500	Factory & Site		May	1	Cash	
*****	4500				13500	Tools & Mach.			✓	✓	
					2430	50 Implements					
					5150	Notes Rec.					
					**	Interest					
200	200						✓	May	3	Cash	
18 25					18 25	Out-Freight					
***** **	***** **	***** **									
(1)	(5)	(4)									

in the circle underneath the total shows the ledger page to which the total was posted. There are three debit columns, and each item should be entered in one of these three columns. The total of the Materials and Manufacturing Labor columns are posted to the debit of those accounts. All items besides Materials and Manufacturing Labor are entered in the Sundry Accounts Dr. column, from which they are separately posted to the proper accounts. The names of the accounts to be debited are written opposite all items in the Sundry column. A space for the ledger folio is given, but when items are written in either of the special columns (Materials or Manufacturing Labor, which are posted in total) a check mark is placed in the L. F. column. The "When and How Paid" columns are filled out when payment is made. One line is usually sufficient for each voucher, but two lines were devoted to Voucher No. 1 and three lines to Voucher No. 2, for convenience in posting. The addition of the Vouchers Payable Register may be proved at any time by determining whether the footings of the three debit columns, added, gives the total of the credit column.

SELLING PRICES (GROSS)

ARTICLE	LIST 1	LIST 2	LIST 3	LIST 4	LIST 5	LIST 6	LIST 7	LIST 8	LIST 9	LIST 10
Land rollers	\$24.50	\$25.00	\$25.25	\$24.25	\$24.50	\$24.75	\$25.00	\$24.70	\$24.60	\$24.30
Climax plows	8.50	8.60	8.70	8.80	8.90	9.00	9.10	9.20	9.30	9.40
E 29 chilled plows	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.90	3.85	3.95
No. 237 corn planters	37.90	37.80	37.70	37.60	37.50	37.40	37.30	37.20	37.10	37.00
No. 47 spring tooth harrows	12.90	12.80	12.70	12.60	12.50	12.40	12.30	12.20	12.10	12.00
No. 01 cultivators	17.10	17.20	17.30	17.25	17.50	17.70	17.75	17.80	17.90	17.50
Corn King disc harrows	22.00	22.10	22.20	21.90	22.00	22.25	21.75	22.00	22.10	22.20
Self dump hay rakes	21.00	21.25	21.00	20.75	20.50	20.60	20.70	20.80	20.90	21.00
Junior hay stackers	45.00	45.50	45.75	45.25	46.00	46.25	46.50	46.00	45.50	45.75
No. 4 gang plows	57.00	58.00	59.00	60.00	57.00	58.00	59.00	60.00	59.00	58.00
Hand dump hay rakes	15.00	15.25	15.50	16.00	16.25	16.50	16.00	15.00	15.50	15.00
B 26 riding cultivators	25.00	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00

Make out Voucher No. 3 and have it signed by the president. Let the voucher remain attached to its stub.

Before making the entry in the Vouchers Payable Register, determine whether it will be more advantageous to pay the bill on May 12 or June 1. If you find it will pay to discount the bill, enter May 12 as the due date. The Materials account is to be charged; you will therefore enter the \$200.00 in the "Materials Dr." column, as well as in the "Vouchers Payable Cr." column. Check in the L. F. column. Do not fill out the "When and How Paid" column until the bill is paid. Check the voucher stub.

The treasurer has paid Critchell & Whitney the \$30,000.00 called for by Voucher No. 1 and now returns to you the receipted voucher.

Note. Your teacher will instruct you as to who will sign the voucher for Critchell & Whitney. When it is signed, fold it so that the briefing will be on the outside, and file it away carefully.

May 3. Received from J. C. Houston, Peoria, Ill., an order for 24 No. 30 road plows at \$13.50; 1 land roller, at \$24.00; and 32 Climax plows, at \$9.00. We have shipped these today via the C. R. I. & P. R. R., terms 2/10 n/30, and paid the freight charges of \$18.25 ourselves.

Note. Wholesale implements are usually sold early in the year (in January or February) and shipped before the retailer's sales begin. The bills are usually given a June 1 dating, less 5% for cash on April 1, this dating and terms being given to all bills sold early in the season. The terms quoted Mr. Houston are not so liberal, as the sale was made later in the season. Bills for fall goods sold will be given the usual liberal terms.

Debit J. C. Houston in the Sales Book for the amount of the sale.

Fill out Voucher No. 4 for \$18.25 for the freight. Secure the president's signature. Make the entry in the Vouchers Payable Register, charging Out-Freight. Assuming that the treasurer has given you a check for \$18.25 which you have cashed, and that you have paid the freight agent, requiring him to sign the voucher, you will now file the voucher. Fill out the "When and How Paid" column in the Vouchers Payable Register.

Note. Your teacher will instruct you as to who will sign this voucher for the payee. All other vouchers will be signed for the payee in the same way. No further reference will be made to this matter.

Enter the \$18.25 on the credit side of the Cash Book in the General column, as shown in the illustration of the Cash Book.

Note. It will be seen that the Vouchers Payable account is credited in the Vouchers Payable Register for \$18.25, and debited through the Cash Book for the same amount (since the total of Cash Cr. is posted to the debit of Vouchers Payable). This debit and credit offset each other. The ultimate result of the two entries is that Out-Freight is debited through the Vouchers Payable Register, and Cash is credited in the Cash Book.

May 3. Bought from J. T. Ryerson & Son, 1821 21st St., 11679 lbs. bar steel at 3½¢ per pound, terms 2/10 n/30.

Make out Voucher No. 5. Let it remain attached to its stub. Enter the purchase in the Vouchers Payable Register, charging Materials. Check in the folio column.

May 3. Bought of Ford & Wilson, 229 State St., for cash, 10 gal. Machine Oil, at 85¢.

Make out Voucher No. 6. Make entry in the Voucher Payable Register, charging Manufacturing Expense. Detach the voucher and secure the president's signature.

You have shown the voucher to the treasurer, secured from him a check for the amount,

paid Ford & Wilson, and obtained their signature to the receipt. Enter the date of payment on the voucher stub. File the voucher. Fill out the When & How Paid column in the Vouchers Payable Register.

Note. Keep the vouchers in numerical order.

Make the entry in the Cash Book, using the proper explanations.

May 3. Bought of Robert Law, 491 E. 30th St., on account, 10 tons of nut coal, at \$7.60.

Make out Voucher No. 7.

Record the voucher in the Vouchers Payable Register, charging Manufacturing Expense. No terms were written on the invoice, but it is understood that the bill is due the first of next month. You will therefore so record it.

May 3. Shipped today to J. L. Cashel, LaCrosse, Wis., via the C. B. & Q. R. R., 21 Climax plows, at \$9.00, terms 2/10 n/30. Prepaid freight for him, \$6.50, and charged his account for the Mdse and the freight.

Charge J. L. Cashel through the Sales Book for the amount of the Mdse.

Fill out Voucher No. 8 for the amount of the freight. Having obtained the president's signature to the voucher, secured a check from the treasurer for the \$6.50, paid the freight agent, and secured his signature to the receipt, you will now file the voucher in its order.

Note. No further reference will be made to the procedure of securing the proper signature to the vouchers and paying the bills. It will be understood by you that this is always done, but hereafter you need only to fill out the vouchers, have them properly signed, and file them in numerical order.

Record Voucher No. 8 in the Vouchers Payable Register, charging *J. L. Cashel*. Make the entry in the Cash Book.

May 4. The weekly payroll is handed in today by the time-keeper, and the men are paid off. The total amount of the payroll is \$125.60.

Fill out Voucher No. 9.

In making the entry in the Vouchers Payable Register, charge \$15.00 to Materials Expense; this amount is the total of wages paid to draymen and other workmen who hauled and handled materials. Charge \$10.00 to General Expense; this is the salary of the janitor. Charge the rest to Manufacturing Labor.

Note. The first two items are said to be "non-productive" labor, as they represent work done which produced nothing. The Manufacturing Labor account contains items of productive labor. The first item, \$15.00, was charged to Materials Expense, because it virtually increased the cost of materials. The three items can be entered on two lines of the Vouchers Payable Register.

Make the entry in the Cash Book.

May 4. Paid Edna Wilson, the stenographer, her salary for four days, \$6.67. Make out a voucher for this. Enter in the Vouchers Payable Register, charging General Expense. Make the Cash Book entry.

May 6. Paid James Quinn, 191 Randolph St., cash for 1640 lbs. steel castings at 4¢, less 2% for cash.

Fill out Voucher No. 11 for the gross amount of the bill, detach, and file it.

Make the proper record in the Vouchers Payable Register, charging Materials. Write "Cash less 2%" in the Terms column and in the How Paid column

Make the entry in the Cash Book. Enter the net amount in the General column and the discount in the Cash Discount Cr. column.

May 6. Bought of Mears & Bates, 2650 Wells St., on account, 20 M ft. hickory lumber at \$35.00. Terms, Note 60 days or 2% off for cash in ten days. We will take advantage of the discount.

Fill out Voucher No. 12. Let it remain attached to its stub for the present.

Make the entry in the Vouchers Payable Register, charging Materials.

May 6. Shipped today via C. B. & Q. R. R. to Warren & Co., Muscatine, Iowa, 14 #E73 walking gang plows, at \$15.00; 45 Climax plows, at \$9.00; and 5 disc harrow blades, at 50¢. Terms 2/10 n/30. Freight charges were paid by them.

May 6. Bought of Bishop & Warner, 124 Clark St., for cash; 4 kegs 8d nails at \$4.50; 2 kegs clinch nails at \$7.00. Terms 2% off for cash.

Fill out Voucher No. 13.

Record the purchase in the Vouchers Payable Register, charging Materials.

Make the entry in the Cash Book. The net amount is entered in the General column, and the amount of the discount in the Cash Discount Cr. column.

May 7. Received from T. D. Philips, Rock Island, Ill., on account, 12 M ft. ash lumber, clear, at \$40.00. His bill is dated May 5. Terms 2/20 n/40. The lumber was sold F.O.B. Rock Island.

Make out Voucher No. 14, leaving it attached to the stub. In making the record in the Vouchers Payable Register, charge Materials.

May 7. The lumber from Rock Island was shipped to us via the C. R. I. & P R. R., freight charges collect. We paid the freight bill, which amounted to \$14.50. Fill out a voucher for this, and make an entry in the Vouchers Payable Register, charging In-Freight. Make the Cash Book entry.

May 7. Sold on account to F. E. Durrell, Quincy, Ill., 50 No. E29 chilled plows, at \$3.50; and 12 No. 60 spring lift gang plows, at \$42.50; less trade discount of 20% on entire bill. Terms 2/10 n/60. Shipped freight charges collect.

May 7. For convenience in paying small items it has been decided to entrust you with \$20.00 which you may use to pay certain small items for which it is not possible or convenient to issue a voucher at the time of payment. You are to keep a correct record of these petty items in the Petty Cash Book, the form of which is here shown.

PETTY CASH BOOK

Date	Voucher No.	Page	Amount		Date	Paid for	Sundry Accounts Dr.			Materials Dr.	Mfg. Labor Dr.	
							Account	L.F.	Amount			
19— May	7	16	1	20	19— May	8 Postage	Genl Exp.		2			
						11 1gal. Varnish		✓			65	
						15 H. Wilke		✓				3 13
						18 Sundries	Genl Exp.		7 65			
						18	Materials		65		65	3 13
						18	Mfg. labor		3 13			
						18	* Balance	✓	6 57			
				20					20			
May	20	Bal.	✓	6 57								

*This line and all rulings to be in red ink.

Fill out a voucher in the usual form for \$20.00 with the explanation "For Petty Cash," and secure the president's signature. Enter the voucher in the Vouchers Pay-

able Register, charging Petty Cash. Make an entry on the credit side of the Cash Book in the usual way. Post the item from the Vouchers Payable Register to the Petty Cash book at once. (This makes the Petty Cash book a part of your double entry system. Its balance must be included in the trial balance.)

May 7. The factory superintendent hands in an itemized report on finished implements the estimated cost of which is \$3008.50. Make a journal entry debiting Implements and crediting Production, and for a full understanding of the entry read the following paragraphs on The Production Account and work out the problem given herewith.

The Production Account.

The purpose of the Production account is to show costs of manufacture, and returns, estimated at cost, on the finished articles as they are turned into the storeroom.

The Production account is debited with the net results of the Materials account, the Materials Expense account, the Manufacturing Labor account, and other manufacturing cost accounts, which are closed into it. It is credited with the value of the finished product estimated at a standard cost figure.

Since the debit side of the account exhibits costs and the credit side exhibits the finished product valued at cost, it follows that if the costs could be computed with exactness and the value of the finished product estimated to the cent, the Production account would close without a balance. But exactness is not possible in either of these matters, hence the Production account always exhibits a slight discrepancy between the debit and credit sides at the end of the month. This discrepancy is closed into the Merchandise account.

Prices of materials fluctuate, and it is not possible to ascertain the exact cost of the identical materials used in manufacturing a given article. The adoption of a standard cost figure for that article is the only satisfactory solution of the problem. Further, this plan furnishes an opportunity for the factory to demonstrate its ability to reduce costs, or to manufacture for less than the standard estimated cost price.

Some houses prefer to estimate costs at a somewhat higher figure than actual cost so that the sale force will not know exactly what the cost is. If the finished product is billed to the sales department at a safe figure, then the house would not lose even if the sales force should cut down prices to what it considered the lowest limit.

The Production account is an intermediate account, coming between the individual cost accounts and the Mdse account. It summarizes the costs. The separate cost accounts could of course all be closed directly into the Mdse account, no Production account being used, but this would make the Mdse account very cumbersome. The use of the Production account relieves the Mdse account of a great number of entries. (In the following problem only three cost accounts, viz., Materials, Materials Expense and Manufacturing Labor, are closed into the Production account. These are sufficient for purposes of illustration, yet there might be dozens of such accounts.)

Work the following problem on loose sheets, using one sheet of journal paper and one sheet of ledger paper. Allow four ledger accounts to the page.

Problem.* July 1, 19—. Kimball & Co. have on hand \$50,000.00 in Cash, Planos (Mdse) valued at \$100000.00, Materials valued at \$20000.00, and owe workmen for unpaid wages \$2500.00. Open accounts with Cash, Planos, Materials, and Manufacturing Labor, showing the above inventories and the cash balance. Open Kimball & Co.'s account.

July 10. Paid cash for materials, \$10000.00.

July 12. The foreman of the factory turned over to the superintendent of the stock-

*Optional.

room 125 finished pianos, at an estimated cost of \$95.37 each. Open a Production account. Debit Pianos and credit Production.

July 15. Paid workmen for labor, \$5000.00 in cash. \$500.00 of this is chargeable to Materials Expense. Open a ledger account under the heading "Materials Expense."

July 18. In-Freight bills amounting to \$95.60 were paid in cash. Charge to In-Freight.

July 20. 91 more pianos have been finished and turned over to the stockroom, at the same estimated cost as before.

July 31. Sales for month, \$30000 cash.

July 31. Inventory of Materials on hand, \$14000.00. Amount due workmen for labor, \$2000.00, \$400.00 of which is chargeable to Materials Expense. Close Materials, Materials Expense, and Manufacturing Labor into Production.

July 31. Note that the Production account does not evenly balance. Theoretically, it should balance exactly, as its debit side is presumed to show exact cost of manufacture, and its credit side is presumed to show the exact output at cost. But for the reasons above enumerated there is a slight discrepancy which shows as a gain. Close this to the Pianos account.

July 31. Inventory of pianos on hand, \$10400.00. Open a Loss & Gain account and close the Pianos account into it. Close the In-Freight account.

Close Loss & Gain.

QUESTIONS:

What was the amount of net assets on July 1?

What was the amount of net assets on July 31?

Was there an increase of net assets during July?

Does this increase agree with the net gain for July?

Transactions—Continued

May 8. Received an order from J. C. Houston, Peoria, Ill., for 8 No. E30 corn planters, at \$38.50, less 25%; and 20 sulky gang plows at \$45.00. Billed the goods to him at 2/10 or note 30 days, shipping via C. & A. Freight charges, paid by us, \$23.50.

Make out a voucher for the freight; detach and file it. Charge Out-Freight.

May 8. Bought of Robert Law, on account, 19 tons Hocking Lump coal at \$5.00. The bill is payable June 1. Charge Manufacturing Expense.

May 8. Paid from the Petty Cash fund for 100 2¢ postage stamps. This is chargeable to General Expense.

No voucher is required for this transaction. Make an entry on the credit side of the Petty Cash Book, debiting General Expense. Write the amount and the name of the account to be debited in the Sundry Accounts Dr. columns. It is to be posted.

May 9. Bought of D. C. Wade 12½ M ft. oak lumber at \$80.00. His invoice was dated May 7. Terms 2/10 n/30.

May 10. Sold to G. W. Hurd, Racine, Wis., 16 No. 237 corn planters, at \$38.00 less 25%; and 20 shovel plows at \$2.62½. Terms 2/10 n/30. Trade discount of 20% on entire bill. Freight expense to be borne by the purchaser.

May 10. Filled an order for 30 No. E31 corn planters, at \$39.50, less 16½%; and 9 double harrows, at \$10.00, for S. F. Lancey, St. Paul, Minn. Trade discount of 10% on entire bill. Terms 2/10.

May 11. Acting upon authority of the directors, we have today installed a new Corliss Engine and additional machinery, at a total cost of \$12460.00, for which we have paid the International Machinery Co., Detroit, Mich., in cash. Make out a voucher. Make an entry in the Vouchers Payable Register, charging Tools & Machinery. Make a Cash Book entry.

Note.—In case of a special purchase as above (and as in the purchase on May 1 of Critchell & Whitney) when the purchase is large and the items numerous, it is not practicable to list the items of the purchase on the voucher. Such large transactions are often evidenced by a special written contract (or if real estate, by a deed) and a reference to this contract or deed is all that is necessary on the voucher.

May 11. The superintendent of the factory finds that the supply of a certain kind of varnish is exhausted, and that he needs some at once. He buys a gallon can of it at a local establishment for 65¢ which is paid from the petty cash fund. (Charge Materials.)

Enter the amount in the Materials column of the Petty Cash Book. Place a check mark in the L. F. column, as the Materials column will be posted in total.

May 11. Cash sales are reported today amounting to \$935.60. Enter in the Cash Book and in the Sales Book. Place a check mark in the L. F. column in each book.

May 11. This week's payroll calls for \$125.60 for the regular force and \$43.50 for piece-work done by extra help. This is distributed as follows: Materials Expense, \$20.00; General Expense, \$10.00; Manufacturing Labor, the rest.

May 13. Inspect your Vouchers Payable Register. You will find two bills due today (One of these is marked as due May 12, but as the 12th was Sunday the bill may be paid today). It will be observed that both of these amounts are due to firms in the city. Had either of them been due to a firm outside of the city, it would have been necessary to remit a day or two in advance, so that the money might arrive in time to entitle us to the discount. Detach the two vouchers and pay them, entering the date of payment on the voucher stub. Make proper entries in the Cash Book. Mark the vouchers "paid" in the Vouchers Payable Register. Do not forget to take the discounts. ✓

May 13. Received cash from J. C. Houston for the bill of goods sold him May 3, less 2% cash discount.

May 13. The directors have issued a call for a second installment of 25% of the stock subscription. Prepare Installment List No. 2.

May 13. All stockholders appear today with cash for the amount of their installments. Issue Installment Receipts to them. Remember that the vice-President must sign the receipts issued to J. E. Colby and C. J. Barber. Post from the stubs of the receipts to the credit of the several stockholders in the Installment Ledger.

Make the entry in the Cash Book, crediting Subscription.

May 14. While the corporation was being organized Mr. J. E. Colby advanced cash for the fees paid to the State and the County, and to A. R. Shannon, corporation attorney, for advice. The total amount paid out by Mr. Colby was \$250.00. The directors ordered that he be reimbursed. Make out a voucher and pay him in cash. Charge General Expense.

May 15. The superintendent of the factory summarily discharged Herman Wilke. Wilke's salary for 2½ days, \$3.13, was paid out of the petty cash fund and charged to Manufacturing Labor. Enter the amount in the special column and check in the L. F. column.

May 15. Cash sales were reported amounting to \$420.00.

May 16. Warren & Co. of Muscatine, Iowa, remitted Chicago exchange in payment of our bill against them for implements purchased May 6, less 2% cash discount.

May 16. Inspect your Vouchers Payable Register. If there is a bill due today, pay it, taking any discount to which we are entitled.

May 17. Paid D. C. Wade the net amount due him (See Vouchers Payable Register).

May 17. Received cash from F. E. Durrell, Quincy, Ill., for bill of May 7, less discount.

May 18. Bought sundry small items of stationery and supplies for the office, \$3.65; and stamps, \$4.00; which amounts are charged to General Expense through the Petty Cash Book.

May 18. J. C. Houston sent us his non-interest-bearing 60-day note dated May 8 for the full amount of our bill against him of May 8. We discounted this note at the bank at 7%.

Credit Houston through the Journal.

Make the second entry also in the Journal, debiting Cash and Interest & Discount, and crediting Notes Receivable. Post the cash item to the Cash Book immediately, entering folios in both books.

Note. The reason the last transaction was not entered in the Cash Book direct is that the discount item, not being a cash discount item, could not be entered in the Cash Discount column; nor could it be entered in the General column on the credit side, from which it might have been posted to the debit of Interest & Discount, because the total of the General column is to be posted to the debit of Vouchers Payable.

May 18. J. L. Cashel, of LaCrosse, Wis., remitted \$185.22 in payment of his bill of May 3 less 2%, accompanied by a letter explaining that he was out of town on May 13, the due date, and expressing the hope that we would overlook the delay. We answered his letter courteously refusing to allow him the discount. We returned his check, as the terms of the sale allowed until June 2 in which to pay the bill at the net price.

May 18. The payroll for the week showed a total of \$165.20, distributed as follows: Materials Expense, \$20.00; General Expense, \$12.50; Manufacturing Labor, the rest.

May 18. The stenographer's salary for the week, \$12.50, was paid, and charged to General Expense.

May 18. The superintendent of the factory reported that implements to the cost value of \$2169.50 had been delivered to the sales department.

At this point you will post all transactions up to date and take a trial balance. Perform the work in the following order.

Post the journal.

Post the items of the Sales Book to the Sales Ledger, using the explanation "Implements." Do not post the total, but remember to include it in the trial balance.

Post the items on the debit of the Cash Book to the credit of the various accounts named. Post the footings of the Cash Discount Dr. column and the Cash Discount Cr. column to the accounts named on their respective headings. Do not add these totals into the General columns. Post the totals of both credit columns to the debit of Vouchers Payable. Remember to include the balance of cash in the trial balance.

Post the total of the Vouchers Payable Register to the credit of Vouchers Payable, and post the items in the Sundries column to the debit of the various accounts named, ✓

using the Explanation "Voucher No. —." Post the totals of the Materials and Manufacturing Labor columns to the debit of those accounts.

Note. Much labor may be saved by ruling up personal accounts wherever they balance.

Note. At this point you may test the accuracy of the Vouchers Payable Register by ascertaining whether the total of outstanding bills as shown therein agrees with the balance of the Vouchers Payable account as it now stands in the ledger.

Post the items in the Sundries column on the credit side of the Petty Cash Book to the debit of the several accounts named. Post the totals of the Materials and Manufacturing Labor columns to the debit of those accounts. The items on the debit side of the Petty Cash Book are all already post-checked. Close the Petty Cash Book. Do not forget to include petty cash in the trial balance.

Make a list of Installment Ledger balances and see if its total agrees with the balance of its controlling account, Subscription. Take a trial balance.

Transactions for May, Continued.

May 20. Sold to Wilkins & Freeman, Paxton, Ill., 9 No. 47 spring tooth harrows, at \$12.50; 12 No. 043 peg tooth harrows, at \$9.50; and 7 No. B26 riding cultivators at \$25.00. Terms 2/10 n/30. We paid the freight on this shipment, \$16.25. Shipped via Ill. Cent. R. R.

May 20. Received checks from G. W. Hurd and S. F. Lancey for the net amounts due us for implements sold them on May 10.

May 20. Bought pens, ink, and other office supplies, and paid for them from the petty cash fund, \$2.25.

May 21. Shipped via the C. & A. R. R. to the Dalton Implement Co., Jacksonville, Ill., June 1 dating, terms 2/10 n/30, 8 No. 278 potato diggers, \$18.50; 4 No. 049 disc harrows, at \$23.75; 15 No. 01 cultivators, at \$17.00. Less 10% on entire bill. We paid the freight charges in advance for them, \$16.65, and charged them with the amount.

May 21. Inserted want ads in three daily papers, advertising for workmen. Paid \$2.70 for these ads, from the petty cash fund. Charge Advertising.

May 21. The petty cash fund is now rather low. Make out a voucher and secure \$20.00 more for this fund. Post at once from the Vouchers Payable Register to the Petty Cash Book.

May 22. Received from the Southern Pine Lumber Co., Rock Island, Ill., a bill for 2400 ft. No. 2 white pine, rough, at \$20.25, 4800 ft. No. 1 do., at \$24.00, and 2000 ft. hickory, at \$35.00. (Price varies on last item only.) The bill was dated May 18, terms "2/10 n/60, freight charges allowed," and we were advised that the lumber was shipped on May 18 via the C. M. & St. P. Ry. It had not yet arrived, but the entry was made at this time nevertheless.

May 23. Sold to Warren & Co., Muscatine, Iowa, 10 Corn King disc harrows, at \$21.75; and 13 No. 03 cultivators, at \$12.50. Terms 2/10 1/20 n/30. Warren & Co. to pay the freight charges. Shipped via the C. B. & Q. R. R.

May 23. Bought postage stamps, \$2.00, for general use, paying from petty cash fund.

May 23. Sent out 10000 circulars today under one cent postage. Paid cash for the stamps. Bought the envelopes on account of Homer E. Wadsworth, 290 Dearborn Ave., at \$1.85 per M. W. P. Dunn & Co., 373 LaSalle St., charged us on account \$26.50 for paper and printing. Make out separate vouchers for the three bills. Charge Advertising in all three cases.

May 24. Received the lumber from Rock Island today. Paid the C. M. & St. P. Ry. freight agent \$10.50 for freight, which amount we will deduct when we pay the bill for the lumber.

Make out a voucher for this payment. Enter the transaction in the Vouchers Payable Register, charging the \$10.50 to the Southern Pine Lumber Co. in the General Ledger. Write in the How Paid column opposite Voucher No. 28, in the Vouchers Payable Register, the words "Deduct \$10.50 freight."

Voucher No. 28, which shows the amount due the Southern Pine Lumber Co. on the bill, is still attached to its stub. Deduct \$10.50 from the amount shown on the voucher, with a proper explanation dated May 24. Make the same deduction on the stub of the voucher.

Make an entry in the Cash Book.

May 24. Sold to G. W. Hurd 50 No. 2765 one-horse seeders, at \$15.60, less 20%. Terms 2/10 n/Oct. 1. Goods were shipped charges collect.

May 25. Sold to S. F. Lancey 4 land rollers, at \$22.50; 12 Zigzag 14-tooth cultivators, at \$18.75; and 10 dozen rolls binder twine, at \$2.75 per doz. Terms, 2/10 n/30. Shipped via C. M. & St. P. R. R. Paid freight charges, \$19.50.

May 25. The factory superintendent employed a special workman to assist on a rush order. Paid this workman for a day and a half at a dollar and a half a day, from the petty cash fund. Charge Manufacturing Labor. Twenty-five cents worth of putty was also paid for from the petty cash fund. Charge Materials.

May 25. Paid T. D. Phillips, Rock Island, Ill., the net amount due him. (See Vouchers Payable Register.)

May 25. The directors have issued a call for a final installment of 25% on the capital stock. Prepare an Installment List. J. E. Colby, C. J. Barber, and R. E. McCarthy respond at once with a cash payment. Issue installment receipts to them. Post from the receipt stubs to the Installment Ledger. Close the three Installment Ledger accounts which are now fully paid. Make the entry in the Cash Book.

May 25. The payroll for the week amounted to \$179.60, distributed as follows: General Expense, \$10.00; Materials Expense \$15.00; Manufacturing Labor, the rest.

May 25. Paid the office stenographer's salary as on previous Saturdays.

May 27. Sold to E. A. Robinson & Bro., Champaign, Ill., 8 Self-Dump hay rakes, at \$20.50; 10 No. B290 one-horse mowers, at \$38.25; and 4 Junior hay stackers, at \$41.50. Shipped via Illinois Central R. R. Terms 5/10 n/Oct. 1, freight charges equalized with nearest shipping point.

Note. The "nearest shipping point" is in this case Peoria. Robinson & Bro. can buy any implement manufactured, at Peoria. We must not only meet Peoria prices, but must compete with Peoria freight rates as well. We do this by agreeing to pay all freight charges in excess of what the freight from Peoria would have been. This is called "equalizing freight with Peoria."

May 27. H. M. Miller and W. L. Sampson remit cash for the final installment on their stock and interest for two days.

May 27. Bought of The Lincoln Foundry Co., Lincoln, Ill., 19875# steel castings at 4¢; and 5857# bar steel at 3½¢. Terms, net 30 days. Freight charges paid by them.

May 27. The factory superintendent reports finished implements turned over to the sales department amounting to \$2675.35.

May 28. Sold to S. F. Lancey, St. Paul, Minn., 12 No. 2 hay tedders, at \$33.75; 9 side-sweep hay rakes, at \$15.50; and 1 gross rolls binder twine, at \$2.75 per doz. Terms June 15 dating, 5/10 n/Oct. 1. Goods were shipped F.O.B.Chicago.

May 28. Remitted to the Southern Pine Lumber Co. the net amount due them after deducting for freight and discount.

Enter in the General column on the credit side of the Cash Book an amount equal to the sum of the net cash payment and the freight charges, so that what is entered in the Cash Discount Cr. column and what is entered in the General column will equal the amount of Voucher No. 28, as entered in the Vouchers Payable Cr. column of the Vouchers Payable Register on May 22. Then make a *contra* entry on the debit side of the Cash Book in the General column, crediting the Southern Pine Lumber Co. for the amount deducted for freight. This operates as a reduction of the amount of cash paid out, and when posted to the ledger will offset the debit of the Southern Pine Lumber Co. posted from the Vouchers Payable Register (Voucher No. 32). Freight must be deducted before discount is figured.

Note. It is the custom in the lumber business to allow a discount only on the net amount after freight allowances are deducted. This custom does not exist in the implement business, and we allow our customers to discount the entire bill, deducting amounts advanced for freight after the discount has been taken on the entire bill.

May 28. Received from A. F. Harvey a check for the amount due on his final installment and interest. Issue an Installment Receipt

May 28. Messrs. Colby, Miller, and Barber surrender their installment receipts, endorsed in blank, and request certificates of stock in exchange therefor. Write across the face of each installment receipt in red ink the words "Surrendered May 28 in part exchange for Stock Certificate No. —," and have this cancellation signed by the secretary. Paste the cancelled receipts back on the original stubs and write the same cancellation on the stubs that was written on the receipts. Fill out Certificates of Stock and the stubs as shown in the form on page 9, detach them, and deliver them to the proper parties. Be sure to have the stockholders acknowledge receipt of the certificates by placing their signatures in the proper space on the certificate stub.

Note. Your teacher will instruct you as to who will affix these signatures.

Note that the transfer record is not filled out entirely in the form on page 9. These are only filled when new stock is issued in transfer for old stock.

Post from the stubs of the certificate book to the credit of the subscribers in the Stock Ledger. The form of a stock ledger account is shown below. Before posting, write the headings as shown in the form. Note that one account occupies but half the width of a page.

H. M. MILLER

Date		Debits		Credits		Credit Bal.	
		Cert. No.	No. Shares	Cert. No.	No. Shares		
19							
May	28			2	200	20000	
June	27	12	35			16500	
	27	13	165	13	165	16500	

Note. The plan of posting direct from the stubs of the stock certificates is satisfactory for a small corporation with few stockholders, and the Acme Manufacturing Co. keeps its records in this way. A corporation having many shareholders and frequent transfers of stock, however, might keep a Stock Register similar in form and use to the form shown at the top of page 44.

STOCK REGISTER

C't. No.	Date Issued	To Whom Issued	Address	Old C't. No.	No. Shares	L. F.	Amount	Transferred to		
								Cert. No.	L. F.	Amount
1	Jan. 1	G. W. Brown	Peoria, Ill.		200	1	20000			
2	Jan. 1	R. H. Price	Aurora, Ill.		150	1	15000	17	1	15000
3	Jan. 1	T. R. Hoffman	Hammond, Ind.		100	1	10000	21 & 22	1	10000
17	Feb. 15	E. T. Buffin	Austin, Ill.	2	150	4	15000			
21	Mar. 10	Jas. T. Perry	Gary, Ind.	3	40	6	4000			
22	Mar. 10	T. R. Hoffman	Hammond, Ind.	3	60	1	6000			

Frequently a more complex form is used than that shown above. It is sometimes called a "transfer register."

EXPLANATION OF ABOVE FORM. The first three entries are of original issues of stock. At the time of issuing the transfer columns were left blank. Posting to the Stock Ledger was done from this register instead of from the certificate stubs.

On Feb. 15 R. H. Price sold his 150 shares to E. T. Buffin. The transfer columns were filled out opposite certificate No. 2, and \$15000.00 posted therefrom to the debit of R. H. Price's account in the Stock Ledger. Certificate No. 17 was issued to E. T. Buffin in exchange for old certificate No. 2.

On Mar. 10 T. R. Hoffman sold 40 shares to Jas. T. Perry. Old certificate No. 3 was cancelled and the transfer columns filled in in the register. Two new certificates were issued, No. 21 to Jas. T. Perry for 40 shares, and No. 22 to T. R. Hoffman for 60 shares.

May 28. Another workman, Henry Clark, was summarily discharged today and paid off from the petty cash fund, \$3.75.

May 29. Cash sales were reported today amounting to \$261.75.

May 29. Sold to Marc Lombard & Co., Winona, Minn., 9 land rollers, at \$20.00; 8 No. 3 gang plows at \$38.75; and 6 dozen rolls binder twine, at \$2.75. Terms, 2/10 n/Oct. 1, 5% trade discount on entire bill. The buyers to bear the freight expense.

May 30. Paid 35¢ from the petty cash fund for library paste.

May 30. Messrs. McCarthy, Sampson and Harvey surrendered their installment receipts, properly endorsed, in exchange for their stock certificates. Proceed as on May 28

All the capital stock has now been issued. See whether the total of credits in the Stock Ledger equals the amount of capital stock as per the General Ledger.

May 30. Received cash of Wilkins & Freeman for our bill against them dated May 20

May 31. Mailed a check to Robert Law for two bills for coal this month.

May 31. Paid office salaries for the month as follows: J. E. Colby, President, \$200.00; C. J. Barber, Secy. & Treas., \$100.00; Yourself, Bookkeeper, \$75.00; A. C. Owings, Salesman, \$90.00. Charge all these salaries to General Expense. Issue a separate voucher for each.

Post the journal. Post the unposted items in the Sales Book to the Sales Ledger, and post the total for May to the Sales account in the General Ledger.

Post the items on the debit side of the Cash Book to the credit of the proper accounts. In posting to the credit of sales accounts, post both the discount and the net payment,

entering them on the same line with the bill which they cover. Post the total of the Cash Discount Dr. column to the debit of the account in the ledger under that title. Post the total of the Cash Discount Cr. column to the credit of Cash Discount Cr. and to the debit of Vouchers Payable. Post the total of the General column to the debit of Vouchers Payable. Close the Cash Book, remembering not to add the discount columns into the general columns.

Post to the debit of sundry accounts from the Vouchers Payable Register. Post the totals of the Materials column and the Manufacturing Labor column to the debit of those accounts. Post the total of the Vouchers Payable Cr. column to the credit of the Vouchers Payable account. Does the sum of unpaid vouchers equal the balance of the Vouchers Payable account?

Post to the debit of accounts named in the Sundry column of the Petty Cash Book. Post the footings of the Materials and Manufacturing Labor columns.

Rule up the Subscription account in the General Ledger, as it now balances.

Take a trial balance.

Did you remember to include cash and petty cash in the trial balance? After your trial balance has been approved, make two statements, following the forms shown on pages 46 and 47. Study the forms now, and study the following explanations:

EXPLANATION OF THE LOSS AND GAIN STATEMENT.

Observe that the gains and losses are highly classified. The purpose of this classification is to group under main accounts the subordinate accounts which will eventually close into them. The result is that the statement shows a few important results rather than a great number of minor results. The directors can examine this statement easily and intelligently without being confused by a mass of detail. The detailed information is all there, however, shown in the analysis of the main heads, and may be examined by the directors if they are so disposed.

To illustrate: The Manufacturing Labor, Manufacturing Expense, Materials, and Materials Expense accounts are all subordinate to Production. They are shown as subordinate to Production, the four costs being separately ascertained and then added together to show the total cost of production.

Observe that Cash Discount Dr. (and its inventory) and Out-Freight (and its inventory) are shown as deductions from Sales rather than as separate losses.

"Anticipated cash discounts" and "Anticipated freight allowance" represent amounts which customers will deduct in paying their bills. The cash discount is computed accurately, thus: J. L. Cashel is entitled to no discount. Warren & Co., G. W. Hurd and Marc Lombard & Co. are entitled to 2%. The Dalton Implement Co. is entitled to 2% on all of its bill, but not on the charge against them for freight advanced. E. A. Robinson & Bro. are entitled to 5%. S. F. Lancey is entitled to 2% on one of his bills and 5% on the other. The anticipated freight allowance is an estimate of the amount due Robinson & Bro. as per agreement with them May 27. The anticipated cash discount and anticipated freight allowance are shown in the statement as deductions from Accounts Receivable, rather than as liabilities. Had there been any anticipated cash discounts and anticipated freight allowances in our favor, these would have been treated as deductions from Vouchers Payable, not as resources.

You are instructed by the directors to show $\frac{1}{2}\%$ depreciation on Factory & Site and Tools & Machinery.

EXPLANATION OF FINANCIAL STATEMENT.

The resources and liabilities are shown to be equal. This is accomplished by including the Capital Stock and the Gain as liabilities, as these represent amounts due investors. Salary due Edna Wilson is a liability inventory on the General Expense account.

LOSS & GAIN STATEMENT, MAY 31, 19--

		Gains		
Interest & Discount—				
	Earnings.....	** ** *		374.8
	Invty May 31.....	** ** *		62.75
OT -	Invty (Treasurer's Report).....		112.50	
	Less			
	Losses.....	** ** *	49.00	11.00
	Invty May 1.....	**	38.00	
			<u>49.</u>	164.73
				213.73
Implements—				
	Sales.....	**** **		10032.78
	Less			
	Cash Discount Dr.....	** ** *	71.59	
ST -	Anticipated Cash Discount.....	** ** *	1.00	
	Out-Freight.....	** ** *	77.50	
ST -	Anticipated Out-Frt. Allowance.....		17.50	
	Net Sales.....	**** **		9606.19
	Cost—			
	On hand May 1.....	**** **	2430.50	
	Charged for production.....	**** **	7853.35	
		**** **	10283.85	
OT -	Deduct Invty May 31.....		4567.50	
	Net cost of Impl. sold.....	**** **	5716.35	4089.84
Production—				
	Manufacturing Labor.....	** ** *	536.13	
	Due workmen.....	** ** *	114.50	
	Less			
	Labor on unfinished Imp.....	** ** *	650.63	488.50
			162.13	
	Manufacturing Expense.....	**	179.50	128.75
	Less coal on hand.....		50.75	
	Materials.....	**** **	860.07	
	In-Freight added.....	** ** *	14.50	
	Less			
	Cash Discount Cr.....	** ** *	60.20	
	Invty Raw Materials.....		1247.88	706.475
	Invty Unfinished Materials.....	**** **	262.74	
			<u>1470.82</u>	
	Materials Expense.....	** ** *	70.	87.50
	Due workmen.....	** ** *	1250.	
	Total cost of production.....	**** **	7764.50	
	Already chgd off to Implants.....	**** **	7853.35	88.85
	Total cost of production, as above.....	** ** *	7764.50	4342.40
Losses				
	1/2% Depreciation on Factory & Site.....		82.50	** ** *
	1/2% Depreciation on Tools & Machinery.....		129.80	** ** *
	Advertising.....		147.70	** ** *
	General Expense.....		803.42	** ** *
	Add Salary due Edna Wilson.....		10.42	** ** *
	Wages due workmen.....	** ** *	833	** ** *
	Net Gain.....	**** **	822.17	316.25

FINANCIAL STATEMENT, MAY 31, 19—.

		<i>Resources</i>		
Cash—			5894	
Per Cash Book.....		*****	**	58955.02
Per Petty Cash Book.....		130	*** **	***** **
Notes Receivable—				
G. E. Baker—Apr. 1.....		1650	****	5150
M. L. Rankin—Mar. 11.....		3500	****	****
Accounts Receivable—				
J. L. Cashel.....		*** **	195.20	
Warren & Co.....		***	380	
G. W. Hurd.....		***	624	
S. F. Lancey.....		***	920	
Dalton Implement Co.....		*** **	464.85	
E. A. Robinson & Bro.....		*** **	712.50	
Marc Lombard & Co.....		*** **	**** **	
		<u>48128</u>	<u>377803</u>	
Less—				
Anticipated Cash Discounts.....		110	*** **	14750
Anticipated freight allowance.....		17.50	*** **	3650.53
				**** **
Factory & Site.....			<u>76500</u>	16417.50
Less 1/2% depreciation.....		*** **	*** **	**** **
			<u>8250</u>	
Tools & Machinery.....			<u>28960</u>	25830.20
Less 1/2% depreciation.....		*** **	*** **	**** **
			<u>12990</u>	
Implements—Inventoried at.....				4567.50
Coal on hand—Inventoried at.....				50.75
Materials—Inventoried at.....				1247.88
Unfinished Implements—				
Labor estimated at.....			162.13	424.87
Materials estimated at.....			262.74	*** **
Interest—				
Accrued on Baker's note—**ds.....		16.50	** **	
Accrued on Rankin's note—**ds.....		47.25	** **	176.25
Reported by Treas. as accrued on funds in bank ..			112.50	*** **
				116770.50
				***** **

		<i>Liabilities</i>		
Salary due Edna Wilson—5 days.....				1042
Wages due workmen on this week's payroll—				** **
Gen'l Expense.....			8.33	
Materials Expncse.....			12.50	3833
Manufacturing Labor.....			114.50	*** **
			<u>155.33</u>	
Vouchers Payable—				
Critchell & Whitney.....		12918.50	*** **	
Homer E. Wadsworth.....		73.50	*** **	
W. P. Dunn & Co.....		22.50	*** **	
The Lincoln Foundry Co.....		600	*** **	13163.50
				***** **
Capital Stock.....				10000
				***** **
Gains for May (as per L. & G. Stm't).....				3161.25
				**** **
				***** **

In the outlines shown for these statements all inventories are given in plain figures except those you have been told how to estimate for yourself.

After reading the above explanations and studying the forms carefully, you should be able to understand the two statements. Prepare the Loss and Gain Statement first. Remember that all inventories used in making the Loss and Gain Statement must also appear on the Financial Statement. If the inventory is an asset or decreases a liability, it must appear in the Loss and Gain Statement as either an increase of some gain item or a diminution of some loss item. If the inventory is a liability or decreases an asset, then it must appear in the Loss and Gain Statement as an increase of some loss item or a decrease of some gain item.

Referring to your Loss and Gain Statement, proceed to close the loss or gain accounts. Bring down all inventories.

1. Close In-Freight and Cash Discount Cr. into Materials.
2. Close Materials, Materials Expense, Manufacturing Labor, and Manufacturing Expense into Production.
3. Close Out-Freight and Cash Discount Dr. into Sales, to which account the sales total has already been posted.
4. The estimated cost of production has already been charged off from the Production account to the Implements account through three journal entries. The actual cost of production, however, is seen to be less than the estimated cost. A saving in the estimated cost of manufacture has been effected. This saving shows in the Loss and Gain Statement as a gain. Close it into the Implements account. Close Sales to Implements.
5. Close Implements, Advertising, Interest & Discount, and General Expense into Loss & Gain. In closing the Implements account, the gain will not be the same as that shown by the Loss and Gain Statement, because a gain of \$**.** has been closed from Production to Implements.
6. Close the Loss & Gain account into the Undivided Profits account. The gain closed into Undivided Profits will not agree with the gain shown by the Loss and Gain Statement, as your Loss and Gain Statement includes \$***.** depreciation, which is not carried through the Loss & Gain account, but is charged to the Undivided Profits account, which as yet has no credit item against which a charge can be made.

Reserves from Profits.

The directors, after they have examined your statements as to the condition and progress of the business, have ordered the following reservations: Reserve for Depreciation, \$450.00; Reserve for Surplus, \$500.00. They also declare a dividend of 2% to be paid in cash on June 5. The reserve for depreciation is a "blanket" reserve, against which all depreciation items are to be charged.

Make the reservations ordered by the directors by crediting each of the reserve accounts and Dividend No. 1 and debiting the Undivided Profits account. This may be done directly in the ledger, by means of three closing entries, or through the journal, the following entry being used:

Undivided Profits	\$2950.00.
Reserve for Depreciation	\$ 450.00
Reserve for Surplus	500.00
Dividend No. 1	2000.00

If the journal entry is used for this transaction, post it at once.

Note. The creation of these reserves has not made the corporation richer or poorer. But the fact that the reserves exist materially strengthens the standing of the company with its stockholders and with the general public. The creditors know that \$450.00 has been set aside to guard against deterioration

in the value of the company's property, to which they must ultimately look for satisfaction of claims against the corporation in case of insolvency. Everyone looks with approval upon a large and growing Surplus reserve, which strengthens the financial standing of the company, safeguards the interests of stockholder and creditor, and is an indication of wise and conservative management.

Make a journal entry debiting Reserve for Depreciation and crediting Depreciation of Factory & Site for the estimated depreciation on the factory and site. Similarly, debit Reserve for Depreciation and credit Depreciation of Tools & Machinery for the estimated depreciation on tools and machinery. Post these entries at once. The Factory & Site and Tools & Machinery accounts remain at a fixed or "level" amount.

Close the Undivided Profits account with a balance, which you will bring down.

Take a Balance of Balances. It should agree with the Financial Statement, but will show the Gain distributed to four accounts, viz: Reserve for Depreciation, Reserve for Surplus, Dividend No. 1, and Undivided Profits; and in case of a property account the depreciation account must be taken into consideration before the real value is known.

TRANSACTIONS FOR JUNE

In the following transactions, full instruction is given for procedure in cases presenting new features to the student. For most of the transactions of this month, however, parallel or similar transactions can be found in the work for May, and these will not be again explained. The student must rely upon his judgment and his familiarity with the work thus far, for charging the various expense and cost accounts. He will not be told what account to charge in transactions of a kind with which he should be familiar.

June 1, 19— . Insured with the Aetna Fire Insurance Company as follows: \$21375.00 on tools and machinery, at \$1.07 per hundred for 3 years; \$12375.00 on factory and site, at \$1.15 for 3 years; and a three year policy for \$4500.00 on implements and materials (including unfinished implements), at \$1.35 per hundred. Paid premiums in cash.

June 1. Sold Cameron & Cameron, 440 Lake St., terms 5/30 n/Oct. 1, 6 B290 one-horse mowers, at \$38.25; and 12 self-dump hay rakes, at \$20.50.

June 1. The payroll for the week amounted to \$162.50, divided as follows; General Expense, \$12.50; Materials Expense, \$15.00; Manufacturing Labor, the rest.

June 1. Paid the stenographer's salary as usual.

June 3. Paid vouchers No. 30 and 31.

June 3. Drew at sight on J. L. Cashel, through the First National Bank of LaCrosse, Wis., for the amount due from him. The bank returned the amount less 40¢ for collection charges. Enter the transaction in the Journal, posting the cash item to the Cash Book at once and checking in both books.

June 3. Received from Warren & Co., of Muscatine, Iowa, and from G. W. Hurd, of Racine, Wis., cash for the amounts due from them. The bill against Warren & Co. was due June 2, but that day was Sunday.

June 4. Remitted to trade journals as follows, for advertising: The Implements Journal, 340 Wabash Ave., City, \$50.00; The Agriculturist, Detroit, Mich., \$45.00. Two vouchers.

June 4. Sold to W. F. McKinney, 6321 Cottage Grove Ave., 8 Self-Dump hay rakes, at \$20.50; 6 Junior hay stackers, at \$45.00, less 10%. Terms, 5/30, n/Oct. 1.

June 4. Received of S. F. Lancey the net amount due from him today.

June 5. Paid Dividend No. 1 in cash. Prepare Dividend List No. 1 as follows:

DIVIDEND LIST NO. 1, JUNE 5, 19—.

Acme Manufacturing Company, 2%.

No. of Cert.	Shareholders	No. of Shares	Par Value of Shares	Amt. of Div.	When Paid	Voucher No.
1	J. E. Colby	200	\$20000	\$400		
2	H. M. Miller	200	20000	400		
3	C. J. Barber	200	20000	400		
4	R. E. McCarthy	150	15000	300		
5	W. L. Sampson	150	15000	300		
6	A. F. Harvey	100	10000	200		
		1000	100000	2000		

Make out six separate vouchers. Paid cash at once to all stockholders except Mr. Miller who is away on his vacation and has given instructions that his dividend be held until his return. Write the date, June 5, in the "When Paid" column opposite all names in the list except that of Mr. Miller, and opposite each date record the number of the voucher issued. (Separate vouchers were issued so that separate receipts would be secured from the stockholders.) The account charged is the Dividend No. 1 account. Make one Cash Book entry.

June 5. Bought of the Sherwin-Williams Paint Co., 1220 W. Randolph St., 100 gals Best E. G varnish, at \$1.35; and 45 50-lb. kegs No. 18 x 924 white lead at 4¢ per lb. Terms, 2/20 n/60. These materials were for use in manufacturing.

June 6. The superintendent of the factory reported that finished implements had been turned to over the sales department amounting to \$2256.35, at estimated cost.

June 6. Cash sales reported, \$557.20.

June 6. E. A. Robinson & Bro. remitted to us the net amount due on our invoice dated May 27, less freight charges of \$17.35. This amount was our share of the freight charges, as agreed (See transaction on May 27). In computing the amount due they first deducted 5% of the entire bill, and then subtracted \$17.35 from this (See second note under transaction for May 28).

Credit E. A. Robinson & Bro. for the cash and discount through the Cash Book. Credit them through the Journal for the amount of the freight.

June 7. Bought 100 2¢ stamps.

June 7. Bought from the Lockett Hardware Co., 171 Randolph St., City, terms 1/15 n/30, 20 gr. No. 8 $\frac{3}{4}$ -in. iron wood screws, at \$.92; 20 gr. No. 10 $\frac{7}{8}$ -in. do., at \$1.15; 10 kegs 10d wire nails at \$4.50; and 4 kegs 6d ninge nails at \$6.05.

June 7. Sold to the Farmer's Supply Co., Watseka, Ill., 12 Junior hay stackers at \$43.50 less 5%; and 12 B290 one-horse mowers, at \$42.50, less 10%. Terms, 2/10, n/Oct. 1.

June 8. Received cash of Marc Lombard & Co., for bill due today less discount.

June 8. Sold Wilkins & Freeman, June 15 dating, terms 2/10 n/Oct. 1, 8 No 4 gang plows, at \$57.50; 9 No. 2 hay tedders, at \$37.50 less 10%.

June 8. The payroll for the week was \$169.50, as follows: Materials Expense,

\$10.00; General Expense, \$12.50; Manufacturing Labor, the rest. Paid the salary of Edna Wilson, the stenographer.

June 10. Martin L. Mills, 22 Rookery Building, City, stepped into the office with a certificate for 150 shares of stock, standing on our books in the name of R. E. McCarthy, which shares were transferred to him. (Your teacher will sign these endorsements or authorize some one else to do so.) Mr. Mills wished us to record the transfer on our books so that he might vote the stock and be entitled to the dividends thereon.

Note. Mr. Mills did not buy this stock directly from Mr. McCarthy. When Mr. McCarthy wished to dispose of his stock he endorsed it in blank and delivered it to a stock broker, who sold it for him. The man to whom the broker made the sale bought it for purposes of speculation and did not require the broker to deliver the actual stock to him, but merely took the broker's receipt for the money paid. The following day the first speculator ordered the broker to sell the stock, another speculator buying it. In this way the stock was owned by several speculators in quick succession, until Mr. Mills bought it. Mr. Mills wished to keep the stock, vote it, and draw its dividends. He therefore required the broker to fill in his name in the endorsement of the certificate, as assignee (the endorsement had been in blank, remember, up to this time), and to deliver to him the certificate itself, which he delivered to the company for transfer.

Note. Installment Receipts may be transferred by endorsement in the same way that Stock Certificates are transferred. The form of endorsement used will of course differ, as the assignor can only assign his rights and interest in the stock and not the stock itself; and for the further reason that the assignor cannot transfer to the assignee his obligation on unpaid subscription. These conditions are often incorporated in the form of endorsement.

Make out a new Certificate of Stock (Certificate No. 7) in favor of Mr. Mills and deliver it to him, and be sure to fill out the transfer record on the stub. Post from the stub to the credit of Martin L. Mills and from the transfer record to the debit of R. E. McCarthy in the Stock Ledger.

Cancel the old Certificate by writing across its face in red ink the words "Cancelled June 10, 19—, and Certificate No. 7 issued in exchange to Martin L. Mills." Write the same cancellation notice on the stub. The Secretary (your teacher, or some one authorized by your teacher) must sign both cancellations. Paste the old certificate back on its stub.

June 10. Sold to Cameron & Cameron 8 Zigzag 14-tooth cultivators at \$20.00 less 6 $\frac{1}{2}$ %; and 12 land rollers at \$22.50, less 10%. June 15 dating. Terms, 5/30 n/Oct. 1.

Note. We offered to date the bill ahead as an inducement for them to place the order at once.

Note. Our customary terms for June sales are 5/30 n/Oct. 1. Hereafter these terms will be referred to as "Regular."

June 11. Paid for extra help in the factory, from the petty cash fund, \$1.75.

June 11. Received cash from the Dalton Implement Co. for bill due today, less discount, and plus freight advanced by us.

June 11. Sold Marc Lombard & Co., Winona, Minn., on a June 15 dating, 12 No. 9 side-hitch sweep rakes at \$15.50 and 8 No. 4 gang plows, at \$57.50. Terms Regular. Shipped via C. & N. W. R. R. and prepaid freight, \$32.50.

June 11. Received cash from Cameron & Cameron for the net amount of the bill against them dated June 1. They are entitled to 5% cash discount, and also to a discount at 6% for the twenty days' prepayment. This last is an Interest and Discount item and should be handled through the Journal. In posting, enter in Cash Discount column.

Note. The Interest and Discount item is $\frac{1}{3}$ of 1% of the amount remaining after the cash discount is deducted.

In posting to Cameron & Cameron's account in the Sales Ledger, enter the net cash payment in the right hand credit column on the same line on which the debit is entered. In the left hand credit column enter both the cash discount and the Int. & Dis. item, on the same line. This may be accomplished by writing both items in small figures, one above the other in the same space.

Note. Students of bookkeeping as a general rule write too large a hand and make large and sprawling figures. If you have this bad habit, overcome it. The foregoing entry affords you an opportunity to practice making small neat figures.

June 12. Sold to F. E. Durrell, Quincy, Ill., on our regular terms and with a June 15 dating, 4 headers, at \$82.50; and 12 hand-dump hay rakes at \$16.25. Shipped via C. B. & Q. freight charges collect.

June 12. Mailed 6000 advertising circulars under 1¢ postage. Paid cash for the stamps. The envelopes were sold to us on account by the Wimberton Paper Co. at \$1.32½. W. P. Dunn & Co. charged us on account \$28.00 for the circulars, including paper and printing. Paid an extra stenographer \$2.00 a thousand from the petty cash fund for addressing 3000 envelopes.

June 13 Cash sales reported \$215.75.

June 13. Bought of the United States Steel Corporation 24100# of cast steel at 3½¢. Terms 1/5, n/30. Goods were shipped F.O.B. Pittsburg, via Big Four. Freight charges, \$42.75.

June 14. Paid \$2.16 from the petty cash fund. \$1.00 of this was for office supplies; the rest was for materials used in the factory for manufacture.

June 14. Sold Warren & Co., F.O.B. destination, June 15 dating, terms Regular, 2 grain binders on trucks, at \$85.00; 12 No. B26 riding cultivators at \$25.00; and 3 No. 4 gang plows at \$57.50. Prepaid freight via C. B. & Q., \$23.60.

June 14. Received of W. F. McKinney cash for the net amount of his bill of June 4 less cash discount, and less discount on anticipated payment. (See last Trans., June 11.)

June 15. Bought of Weyerhauser & Co., Davenport, Iowa, 23½ M. ft. of ash lumber at \$42.00. Terms, Note 30 days, freight allowed.

Note. Fill out a voucher and make the record in the Vouchers Payable Register in the usual way.

The lumber arrived today via the C. R. I. & P. R. R. and we paid the freight charges, \$26.65.

Note. Fill out a voucher and make a record in the Vouchers Payable Register charging Weyerhauser & Co. Make an entry in the Cash Book.

Gave Weyerhauser & Co. our note for the amount due them after deducting freight charges.

Make an entry in the Journal, debiting Vouchers Payable for the amount of Voucher No. 63, and crediting Notes Payable and Weyerhauser & Co. Mark voucher No. 63 "Paid by note June 15, 19—, less \$26.65 freight charges" in the Vouchers Payable Register Show the deduction on the voucher and stub.

June 15. The payroll for the week was \$171.00, distributed as follows: General Expense, \$10.00; Materials Expense, \$12.50; Manufacturing Labor, the rest.

Paid Edna Wilson's salary.

June 17. The factory superintendent has turned over to the sales department finished implements the cost value of which is \$3267.90.

June 17. Sold to J. C. Houston 6 Junior hay stackers, at \$41.50; 12 Corn King disc harrows, at \$21.75; and 15 doz. rolls binder twine, at \$2.75. Terms Regular.

Paid freight via C. P. & St. L., \$21.40, which amount we charged to J. C. Houston.

June 17. Bought of Wm. Denckmann & Co., Duluth, Minn., 19500 ft. 2 x 6 x 30-in. oak lumber, at \$75.00; and 20,000 ft. 2 x 8 x 36-in. do., at \$75.00. Freight prepaid. Terms, net 60 ds.

June 17. Received in cash the net amount due from the Farmers' Supply Co.

June 18. W. L. Sampson has disposed of 50 shares of his stock to E. G. Meyers, 1440 Monadnock Bldg., City. Mr. Sampson endorses his certificate for 150 shares as follows: "For value received I hereby sell, transfer and assign to

E. G. Meyers, 50 shares.

W. L. Sampson, 100 shares.

the shares of stock within mentioned, etc.," signing the endorsement. We cancel the old Certificate and issue in lieu of it two new certificates, No. 8 to E. G. Meyers for 50 shares, and No. 9 to W. L. Sampson for 100 shares. Cancel the old Certificate, using a full explanation which is written on both certificate and stub. Paste the Certificate back on its stub. Deliver the new certificates to the proper parties.

Post from the stubs of Certificates 8 and 9 to the Stock Ledger. Certificate No. 9 will be posted to both the debit and credit of Sampson.

Note. This is necessary in order that the records of certificate numbers shall be full and complete in the Stock Ledger. The debit and credit may be written on the same line. The balance of Sampson's account will not be changed by the posting of this equal debit and credit.

June 18. Paid the U. S. Steel Corporation for the invoice due today, less discount.

June 19. Discharged Oliver Barker, a workman, today and paid him \$2.25 from the petty cash fund.

If there is not \$2.25 left in the petty cash fund, fill out a voucher for \$20.00 more to be used for petty cash disbursements.

June 19. Sold W. F. McKinney, 6321 Cottage Grove Ave., 8 out-throw disc harrows at \$21.25; and 8 in-throw disc harrows at \$19.50. Terms Regular.

June 19. Through our own mistake, the lumber bought on the 15th was not cut to the proper size and planed for our use. We had to have this done ourselves, and today had the work done by the South Side Planing Mills Co. They submitted a bill for \$26.75, which they have charged to our account. This is chargeable to Materials Expense.

June 20. Sold Cameron & Cameron, on Sept. 1 dating, terms Regular, 20 land rollers at \$21.00 less 10%.

June 20. Sold G. W. Hurd, terms Regular, 9 No. 2765 one-horse seeders at \$12.45 and 12 bumper disc harrows at \$20.50.

Prepaid the freight via the Michigan Central, \$18.27.

June 21. Sold to S. F. Lancey for cash less 2% 20 knife grinders, at \$3.50; and 20 doz. rolls binder twine, at \$2.75. Shipped the goods to St. Paul via C. M. & St. P. R. R. charges collect, but with the understanding that Mr. Lancey was to deduct the amount of the freight from his next remittance.

Note. Mr. Lancey was a regular customer of ours and we desired that this transaction should show in his ledger account. Therefore we charged him in the usual way through the Sales Book and credited him at once through the Cash Book. The entry in the Sales Book should show the gross amount of the bill. The terms are "Cash less 2%. Freight allowed."

June 21. Bought from the Southern Pine Lumber Co., Rock Island, Ill., 25740 ft. white pine lumber at \$24.60 per M. Terms, note 60 days, freight allowed. The note will not be sent to them until we receive the lumber and pay the freight charges.

June 22. The payroll for the week was \$170.50, as follows: General Expense, \$10.00; Materials Expense, \$12.50; Manufacturing Labor, the rest. Paid Miss Wilson's salary.

June 22. Paid the Lockett Hardware Co's. bill of June 7.

June 22. Sold J. L. Cashel for spot cash 10 No. 049 disc harrows at \$23.75, and 2 land rollers at \$20.00. Prepaid freight, \$17.65. Shipped by C. B. & Q.

Note. We do not wish to carry an account with Mr. Cashel any longer. Treat this as a cash sale, in the usual way.

June 24. C. J. Barber has sold J. E. Colby 25 shares of his stock.

Note. Mr. Barber's old certificate is cancelled and two new ones issued in its place. See transaction on June 18.

June 24. Sold the Dalton Implement Co. on our regular terms 4 one-horse hay presses, at \$127.50, and 22 broadcast seeders, at \$15.00.

Prepaid freight via C. & A. R. R., \$34.02, and charged the freight to them.

June 24. Mr. Miller having returned, his dividend No. 1 was paid to him in cash. A voucher has already been issued for this dividend.

June 24. The lumber bought of the Southern Pine Lumber Co. arrived via the C. R. I. & P. today. We paid the bill, \$32.16, charging the Southern Pine Lumber Co.

June 24. Sent to the Southern Pine Lumber Co. our 60-day note for the amount due for lumber bought June 21, after deducting the freight charges. Date of note, June 21.

Mark the voucher issued on June 21 "Paid by note June 24, less freight, \$32.16," and make the same notation in the Vouchers Payable Register. Make a journal entry debiting Vouchers Payable and crediting Notes Payable and Southern Pine Lumber Co.

June 25. Paid cash from the petty cash fund for one dozen lead pencils for the office, 45¢.

June 25. Discounted the Sherwin-Williams Paint Co's bill of June 5.

June 25. Received checks today from the following firms for bills dated June 15: Cameron & Cameron, Marc Lombard & Co., F. E. Durrell, and Warren & Co. These are all anticipated payments.

Wilkins & Freeman, who owned for Mdse purchased June 15, failed and went into the hands of a receiver. We filed our affidavit of claim with the receiver. Paid notary public for taking acknowledgment of the affidavit, 25¢ from the petty cash fund.

June 26. The factory superintendent reports finished implements amounting to \$2726.58.

June 26. Paid the Lincoln Foundry Co. the net amount due them today.

June 26. Bought of McNeil and Jones, 4658 Lincoln Ave., terms 2% for cash in 30 days, 9538 bar steel at 4¢.

June 26. Sold Marc Lombard & Co., terms Regular, 8 deep well belted pumping jacks, at \$12.50; and 9 B290 one-horse mowers, at \$40.00. Shipped "Delivered."

June 27. H. M. Miller sold 35 shares of his stock to J. E. Colby.

June 27. Received J. C. Houston's check for the net amount to settle invoice of June 17 and freight advanced by us on that date.

June 28. Bought office supplies amounting to 35¢, paying from the petty cash fund.

June 28. The receiver for Wilkins & Freeman mailed a statement showing the

liabilities of that firm to be \$10500.00, and the assets \$6825.00 after all receivership expenses have been paid. He encloses check for the amount due us. Make entries in the Journal and the Cash Book.

June 28. Sold the Dalton Implement Co. 24 knife grinders at \$3.50 and 10 doz. rolls binder twine, at \$2.75. Terms Regular. We prepaid the freight, \$4.23, shipping via the C. & A. R. R.

June 28. Sold to F. E. Durrell on our usual terms, 18 No. 03 cultivators at \$12.50 and 4 No. 5 gang plows at \$37.50. Freight charges to be paid by the buyer.

June 29. G. E. Baker paid cash for his note due tomorrow and interest for 90 days. See opening entry, May 1.

June 29. Received cash from W. F. McKinney for our invoice of June 19 less cash discount. If he is entitled to any discount for anticipation, allow it.

June 29. The payroll for this week was \$174.60, as follows: General Expense, \$10.00; Materials Expense, \$12.50; Manufacturing Labor, the rest. Paid Miss Wilson's salary.

June 29. The treasurer reports interest earnings received on funds deposited in bank, \$250.00. The bank has credited our account as for a cash deposit.

June 29. Paid the monthly salaries the same as last month.

June 29. Mailed to Critchell & Whitney a check to reach them July 1 for the amount due them on that date, as itemized in Voucher No. 2.

Post.

Test the Vouchers Payable Register.

Take a trial balance.

Make a Journal entry charging off depreciation.

Make statements, using the following estimates and inventories:

Depreciation on Factory & Site, $\frac{1}{2}$ of 1%.....	\$ ** **
Depreciation on Tools & Machinery, $\frac{1}{2}$ of 1%.....	*** **
Interest accrued on notes receivable.....	** **
Discount at 6% on notes payable.....	* **
Unexpired insurance 2 yrs 11 mo.....	*** **
Implements inventoried at.....	6854.03
Materials inventoried at.....	310.45
Unfinished implements inventoried at.....	469.85

Estimated Materials, \$295.60; Labor, \$174.25.

Anticipated cash discounts on sales.....	*** **
Anticipated freight allowance to Marc Lombard & Co.....	22.50
Anticipated freight allowance to S. F. Lancey.....	3.75
Anticipated cash discount on vouchers payable.....	* **

Your Financial Statement will have to show the following items as liabilities:

Reserve for Depreciation.

Reserve for Surplus.

Undivided Profits (the ledger balance plus the profits for June).

The directors have seen and approved your statements. They order a Reserve for Surplus, \$500.00. They also declare a dividend of $1\frac{1}{2}$ % to be paid at once in cash.

Prepare Dividend List No. 2.

Make journal entries for the reserve and dividend appropriation, and post them.

Pay Dividend No. 2 in cash.

Close the loss or gain accounts in your General Ledger, following the order of closing given last month.

Prepare a balance of balances.

REVIEW NOTES, QUESTIONS, AND PROBLEMS

1. An inventory of \$50.75 was used in closing the Materials Expense account May 31. It represented the coal on hand. What effect did this inventory have on the cost of Materials Expense for May?
2. This inventory was brought down June 1. What effect had this on the cost of Materials Expense for June?
3. Assuming that the hard (nut) coal was all used before any soft coal was used, how much soft coal was used during May? During June?
4. Since both coal bills were bought in May, why did you not close the Materials Expense account so as to charge them both against May? How could this have been done? Why would it have been improper?
5. Both bills were bought in May. Both were paid in June. Do either of these facts indicate how much shall be charged against May and June respectively? What is the proper amount chargeable to a given month and how is it ascertained?
6. What two inventories must be taken into consideration in determining the amount of labor expended upon implements produced during a given month?
7. Why did the Manufacturing Labor account have only one inventory June 29?
8. Anticipated cash discounts on May sales due in June were added to the May discounts. What effect had this on the Cash Discount Dr. account for May?
9. The above inventory was brought down. What effect had this on the Cash Discount Dr. account for June?
10. Prepare a list of discounts on June sales. Does the net result of the Cash Discount Dr. account for June agree with this total? Explain how your May 31 and June 29 inventories were used to bring this about
11. If the total of discounts on sales made during a given month should not agree with the result shown by the Cash Discount Dr. account, what would be the reason for the disagreement, assuming no error of computation on the bookkeeper's part? Explain carefully.
12. What was the percentage of profit on implements sold during May over their estimated cost? During June?
13. What must be charged for an article the estimated cost on which is \$50.00, to realize the above profit for May? For June?
14. What was the percentage of profit on implements sold during May over the actual cost of production? During June?
15. What was the percentage of profit on implements sold during May over the actual production cost plus charges for depreciation and general expense? During June?
16. What was the percentage of net earnings on investment during May? During June?

Note. The investment for June is inclusive of capital stock, all reserves, and undivided profits.

CLOSING CORPORATION BOOKS AND DISPOSING OF PROFITS

Following are five exercises the main purpose of which is to illustrate different methods of closing the ledger and distributing the profits of a large corporation. Incidentally the accounts will be in each case typical of a different business. In each exercise, the data given is to be written up by the student in his ledger and cash book, after which the student will proceed to close the ledger in accordance with the specific instructions which will be given for each step.

Certain journal entries will be required as the work proceeds. In order to economize space in the journal, write the journal entries for each exercise immediately after the journal entries for the preceding exercise, leaving only two lines, on the latter of which will be written the number of the new exercise.

Handle the cash book in the same way. Leave two lines between each exercise and the one preceding it, writing the number of the exercise on the second line. Use the simple form of two column double entry cash book.

In none of these exercises is it pretended that a complete series of accounts is exhibited. The Exercises are of necessity brief, and contain only a few accounts, but such accounts as are shown are typical ones, and an understanding of them will give the student an appreciation of other accounts belonging to the same general class.

No journal entries are required to close one account into another. Make journal entries for the transfers of portions of the profits to reserve, fund, and dividend accounts. (This is often done, however, without journal entries.) When cash is paid out an entry in the cash book is required.

EXERCISE I—THE RIALTO PRODUCE CO.

Purpose

To show the process of closing Loss & Gain into Undivided Profits and the distribution therefrom to reserve accounts and to the Dividend account. (See the right hand side of the diagram on page 25.)

The general ledger of the Rialto Produce Company exhibits the following condition after the loss or gain accounts have been closed into Loss & Gain, August 31, 19—. Open the accounts and enter the items enumerated. Open six accounts on ledger page 1, and six accounts on page 2. Give each account six lines, except the Loss and Gain account and the Undivided Profits account, which require twelve lines each.

The Capital Stock account is credited for Subscription \$50000.00 under date of June 1, 19—.

Furniture and Fixtures account has been closed Aug. 31, and an Invty of \$3400.00 brought down.

The Merchandise account shows an inventory brought down of \$22640.60.

The Real Estate account exhibits an inventory of \$20000.00.

The Loss & Gain account contains the following items, all under date of August 31: Losses: Furniture & Fixtures, \$75.00; Expense, \$443.10; Real Estate, \$150.00; Salaries, \$880; Advertising, \$111.00. Gains: Mdse, \$2975.60; Cash Discount, \$230.50; Consignments, \$456.25. These items represent the amounts which have been closed from the various loss or gain accounts.

The Undivided Profits account contains the following items. Debits: July 31, Surplus, \$2000.00; July 31, Reserve for Bad Debts, \$50.00; Credits: July 1, Balance, \$1585.80; July 31, Loss & Gain, \$2769.50.

The Accounts Receivable account (a controlling account) shows a balance of \$2124.50.

The Accounts Payable account shows a balance of \$1526.45.

The Dividend No. 7 account shows a credit of \$1500.00, taken from Undivided Profits June 1, 19—. Against this credit are the following debits: June 10, Cash, \$800.00; June 20, Cash, \$400.00.

Note: A separate account is kept in the ledger for each dividend declared. Under this plan the ledger will show just what dividends are unpaid and the amount of the unpaid balance of each. These

separate accounts may be kept as controlling accounts, the details being shown in a Dividend Book, or they may be kept as consolidated accounts, the details showing in the ledger. In this exercise they are controlling accounts.

The Dividend No. 8 account has no entries as yet.

The Surplus account shows two credit items: June 30, Undivided Profits, \$2000.00; July 31, Undivided Profits, \$2000.00.

The Reserve for Bad Debts account shows two credit items: June 30, Undivided Profits, \$50.00; July 31, Undivided Profits, \$50.00.

The Cash Books shows a balance August 31 of \$12069.90.

After opening the above accounts and making the entries indicated, take a trial balance.

August 31. Close the Loss & Gain account into Undivided Profits. The net amount thus transferred represents in a single amount the profits of the business before any amounts are set aside for surplus or reserved for bad debts, or paid out for dividends.

Dividend No. 7, which was declared June 1, has not all been paid in cash to the stockholders. Ascertain from the dividend account the amount of this unpaid balance, and pay it in cash. A cash book entry is required for this transaction. Post the entry at once.

The directors order that the following amounts be taken from the Undivided Profits account to the reserve accounts: For bad debts, $1\frac{1}{2}\%$ of all accounts receivable; for surplus, an amount equal to $2\frac{1}{4}\%$ of the capital stock. Make journal entries and post. Close Undivided Profits with a balance, in order to ascertain the amount available for dividends.

Sept. 1. A dividend of 2% (Dividend No. 8) is declared by the directors. Make a journal entry and post.

Sept. 10. Dividends amounting to \$800.00 are paid in cash to stockholders E, B, C and D on account of Dividend No. 8. Cash book entry.

Take a trial balance.

Problem: There are 500 shares of Rialto Produce Company stock, owned as follows: A, 100 shares; B, 120 shares; C, 50 shares; D, 150 shares; E, 80 shares. Properly rule up a sheet of blank paper and prepare Dividend List No. 8 as follows:

DIVIDEND NO. 8. RIALTO PRODUCE CO. 2%

DATE	SHAREHOLDERS	NO. OF SHARES	PAR VALUE OF SHARES	AMOUNT OF DIVIDENDS	WHEN PAID	SHAREHOLDER'S RECEIPT (SIG- NATURE)
19—.						
Sept. 1	A					
1	B					
1	C					
1	D					
1	E					
	Totals					

Fill out the columns of the above form from information given you under dates of Sept. 1 and Sept. 10.

The column for the shareholder's receipt will, of course, not be included in a form used by a corporation which pays dividends by dividend check or the stockholders of which live at a distance and send their receipts by mail.

Review Questions

Into what account was the Loss & Gain account closed?

What does the amount closed from the Loss & Gain account show?

From what account were the two reserves taken?

What account did the directors inspect in order to determine the amount available for Dividend No. 8? When did they inspect it?

What does the difference between the debit and credit sides of the Undivided Profits account indicate as that account now stands?

Suggest two possible ways in which the balance of Undivided Profits could be disposed of, if it were desired to close that account.

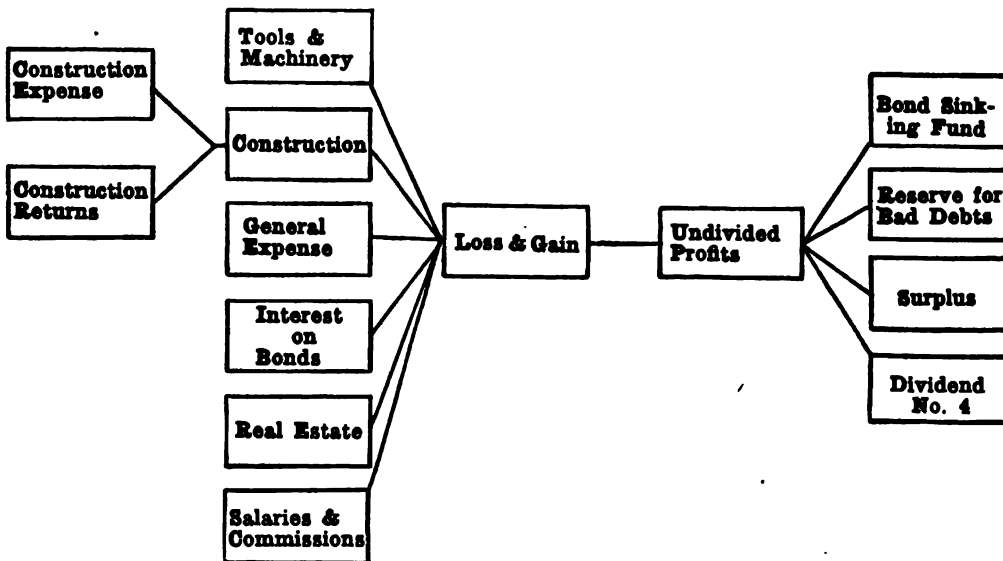
EXERCISE II—THE NORTHWESTERN CONSTRUCTION CO.

Purpose

To show the process of closing subordinate loss or gain accounts into main loss or gain accounts, the closing of main loss or gain accounts into the Loss & Gain account; the closing of Loss & Gain into Undivided Profits; and the distribution therefrom to Sinking Fund Reserve, Reserve for Bad Debts, Surplus, and Dividend accounts.

Under the plan of distribution shown in Exercises I and II the entire net profit of the business is transferred from the Loss & Gain account to the Undivided Profits account, thus exhibiting the profit at the time of closing in a single figure. For this reason this plan is preferable to any other. Its effect is to make the Loss & Gain account show the sources of profit and loss, and the Undivided Profits account show the avenues of distribution of profits. The use of the Undivided Profits account begins where the use of the Loss & Gain account ceases. The following diagram will illustrate this:

DIAGRAM FOR EXERCISE II



Nov. 30, 19—. The accounts of the Northwestern Construction Company stand as follows. Open them in the ledger in the order named. Give Construction Expense, Loss and Gain, and Undivided Profits ten lines each; all other accounts six lines each.

The Capital Stock account has one credit entry: Sept. 1, 19—, Subscription, \$75000.00.

The Real Estate account exhibits an inventory Nov. 1 of \$10950.00.

The Tools & Machinery account exhibits an inventory Nov. 1 of \$44250.00. This is a property account. It includes tools and machinery used for construction purposes.

The Construction Expense account has four entries, all debits: Nov. 5, Cash, \$1120.00; Nov. 7, Cash, \$6.50; Nov. 16, Cash, \$1065.40; Nov. 25, Cash, \$40.00. These are the sums paid out for labor and materials used in building.

The Construction Returns account exhibits a total credit for November of \$9609.20. This is the total amount received from customers for whom we have built.

The Construction account contains no entries.

The "4% Bonds of 1918" account has a credit balance of \$10000.00, dated Nov. 1. This \$10000.00 is a liability. The corporation will have to redeem the bonds in 1918. Meantime, interest must be paid every quarter at the rate of 4% per annum.

The Salaries & Commissions account contains the following debits: Nov. 30, Payroll, \$1510.00; Nov. 30, Officers' Salaries, \$850.00; Nov. 30, Commissions, \$275.00. These debits are the net results of three subordinate accounts which have been closed into the Salaries & Commissions account. The "Commissions" referred to are percentages allowed to agents aside from salary.

The General Expense account shows one debit item: Nov. 30, Cash, \$724.50. This is the total of the Expense column which has just been posted from the cash book. It includes items of expense not properly chargeable to some special expense account.

The Interest on Bonds account shows a debit footing of \$300.00. This account contains only items of interest paid on the 4% Bonds of 1918.

The Loss & Gain account contains no entries.

The Accounts Receivable account shows a balance of \$11248.25.

The Bills Receivable account shows a balance of \$10147.15.

The Undivided Profits account shows a credit balance of \$732.03, dated Nov. 1.

The Bond Sinking Fund has one credit entry of \$1000.00, closed from Undivided Profits on Oct. 1. This account contains amounts reserved from the profits at periodical intervals in order to provide for the redemption of the bonds in 1918. It is planned that the amounts so reserved will aggregate \$10000.00 when the time comes for paying off the bonds in 1918.

The Reserve for Bad Debts account shows a credit balance of \$47.50, dated Oct. 1.

The Surplus account shows a credit balance of \$500.00, dated Oct. 1.

The Dividend No. 4 account shows no entries.

The Cash Book shows a balance on Nov. 30 of \$14401.93.

Take a trial balance.

Nov. 30, 19— . Pay in cash interest on the bonds for one quarter. You must determine the amount of this payment from the amount of the bonds outstanding and the rate of interest they bear. Cash book entry.

Close Construction Returns and Construction Expense into Construction. The value of construction materials on hand, \$22.50, is Construction Expense inventory.

Close Tools & Machinery (Inventory \$44000.00), Construction, Salaries & Commissions, General Expense, Interest on Bonds, and Real Estate (inventory, \$10900.00), into Loss & Gain.

Close Loss & Gain into Undivided Profits.

Set aside \$1000.00 from Undivided Profits for the Bond Sinking Fund account. Journal entry.

Set aside $\frac{1}{2}$ % of Accounts Receivable for the Reserve for Bad Debts. This is reserved from the Undivided Profits account. Journal entry.

Reserve \$500.00 from Undivided Profits for the Surplus Fund. Journal entry. Inspect the Undivided Profits account to ascertain the amount available for a dividend.

Nov. 30. A dividend of $1\frac{1}{2}$ % (Dividend No. 4) is declared. Journal entry.

Close the Undivided Profits account.

Take a trial balance.

Problem: Dec. 10. The shareholders in this company are A, B, C, and D, who hold stock as follows: A, 150 shares of \$100.00 each; B, 200 shares of \$100 each; C, 220 shares of \$100.00 each; D, 180 shares of \$100.00 each. A, B, and C have today been paid in cash for their dividends. Make the entry in the cash book and post. Prepare Dividend List No. 4 as in Exercise I.

Review Questions

- What six main loss or gain accounts are shown in Exercise II?
 What two subordinate loss or gain accounts are shown and to what account are they subordinate?
 Into what account are all losses and gains finally gathered?
 What is the advantage of closing Loss & Gain into Undivided Profits before taking out any reserves?
 What account shows sources of profit and loss?
 What account shows avenues of distribution of profits?
 What four accounts show how the profits are distributed?
 Why was the Undivided Profits account closed before Dividend No. 4 was declared?

EXERCISE III—THE C. & G. R. R. CO.**Purpose**

To show the method of handling stock and dividend accounts when both common and preferred stock are issued; to show a Bond account and Sinking Fund Asset account as kept when assets are placed in the hands of Trustees for the redemption of the bonds; and other features as in Exercise II.

Accounts

Sinking Fund Assets: The student is referred to the definitions of "Reserve for Sinking Fund" and "Sinking Fund Assets," on page 169. Remember that these two accounts are not at all alike—in fact, they are diametrically opposite. The Sinking Fund Reserve is a mere bookkeeping device for reservation of profits (as are the Surplus and other reserve accounts). The Sinking Fund Assets account contains a record of actual assets reserved. The account used in this exercise is the Sinking Fund Assets account.

Operating Expense: Separate records are kept of expenses that have to do with the actual operation of the road. Accounts are kept with Transportation Expense and Maintenance Expense, and these are closed into Operating Expense, which is in its turn closed into Expense.

Repair Shop, Rolling Stock, and Road-Bed and Tracks. These are typical property accounts. Instead of being closed with an inventory, a certain amount is "written off" of each into the Reserve for Depreciation account. This is done by a journal entry crediting the property account and debiting Reserve for Depreciation. The property account is then closed with a balance.

Depreciation Reserve. Depreciation is here kept as a reserve account. A part of the Undivided Profits account is carried to the Depreciation Reserve account by a journal entry debiting Undivided Profits and crediting Depreciation Reserve. The amounts written off of the various property accounts are carried to the debit of Depreciation Reserve.

Note: The depreciation account may be treated as an expense account. In such a case, Depreciation is debited for items of depreciation from the various property accounts, and Depreciation is closed into Loss & Gain. This is not the method used in this exercise.

It may be here remarked that there are other accounts usually treated as reserves which may be treated as simple expense accounts if desired. The Contingency account and the Dividends account are instances of this. Instead of setting aside an amount for reserve in each case, against which the losses are charged, the losses may be charged directly to the account affected, which is closed into Loss and Gain. This is not so good as the plan of creating a reserve.

Reserve for Contingencies. This account is kept in order to provide against loss through unforeseen contingencies. Damages for injuries and other heavy expenses aside from the regular expenses of conducting the business, are provided for through this reserve account.

The diagram on page 196 is illustrative of the method of handling subordinate expense accounts used in Exercise III.

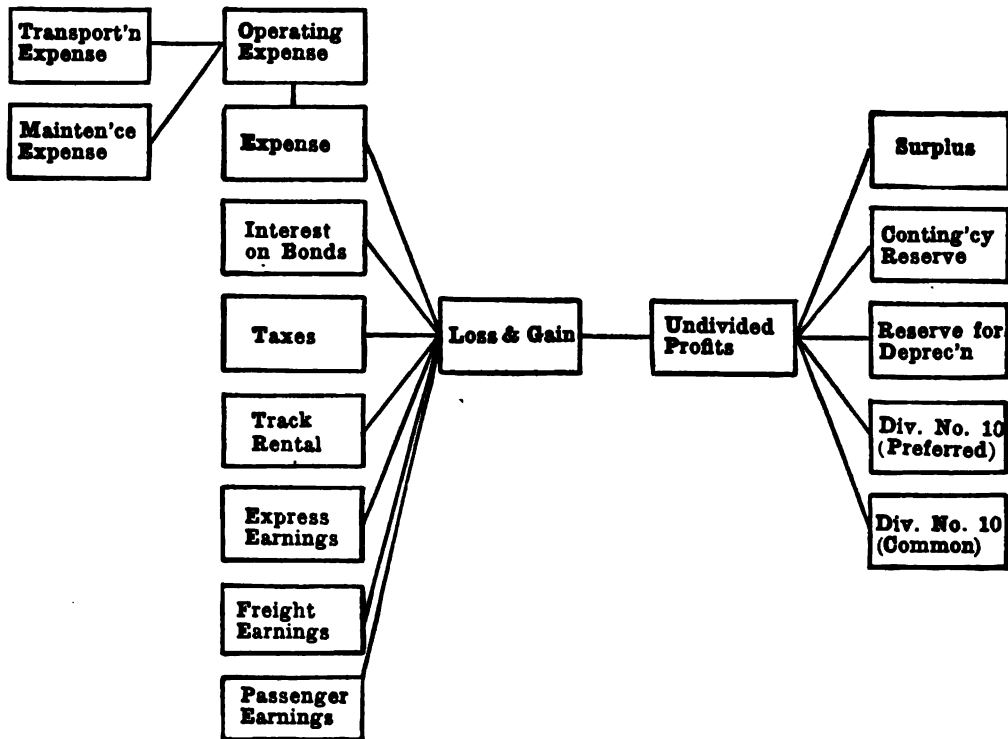
In opening the ledger accounts, give the Loss and Gain and Undivided Profits accounts each ten lines; all other accounts, six lines each.

Apr. 30, 19—. The ledger and cash book of the C. & G. Railroad stands as follows:

Capital Stock (Common), \$75000.00.
 Capital Stock (Preferred), \$925000.00.
 First Mortgage Bonds, \$100000.00.

Sinking Fund Assets (Trustees), \$75000.00 debit. This account exhibits the total assets which have been paid over to trustees for the redemption of the First Mortgage Bonds at maturity. It is some-

DIAGRAM FOR EXERCISE III



times called the Trustees of Sinking Fund account, but this title is misleading, as the trustees usually have no personal liability except for honest and careful management.

The Transportation Expense account shows a debit balance of \$598.70. This includes such items as yard, shop, and road salaries; operating supplies; and advertising.

The Maintenance Expense account shows a debit balance of \$987.39. This includes the cost of materials and labor used in keeping the roadway, structures (depots, freight houses, etc.), and equipment of the road in good condition.

The Operating Expense account contains no entries.

The General Expense account shows a debit footing of \$675.40.

The Interest on Bonds account shows a debit footing of \$333.33.

The Repair Shop account shows an inventory of \$12650.00. This is a property account exhibiting the value of the shops in which cars are repaired.

The Rolling Stock account shows an inventory of \$300000.00. This is a property account, representing the value of cars and locomotives.

The Road Bed and Tracks account shows an inventory of \$710000.00. This is a property account. It is charged with the cost of track construction and represents the value of the tracks as laid down.

The Loss & Gain account exhibits the following entries, all dated Apr. 30, 19—: Debits: Taxes, \$360.07; Track Rentals, \$183.40. Credits: Freight Earnings, \$16684.28; Express Earnings, \$1237.50; Passenger Earnings, \$13467.20. These amounts are the losses and gains which have just been closed from the five accounts named.

The Undivided Profits account shows a balance of \$6740.00.

The Surplus account shows a balance of \$27043.60.

The Contingency Reserve account shows a credit balance of \$6806.29.

The Depreciation Reserve account shows a credit balance of \$1956.40.

The Dividend No. 9 (Common) account has the following entries: Credit: Feb. 1, Undivided Profits, \$750.00. Debit: Apr. 30, Cash, \$650.00.

The Dividend No. 10 (Common) account has no entries.

The Dividend No. 10 (Preferred) account has no entries.

The Cash Book shows a balance of \$73246.98.—A trial balance may be taken at this point.

Apr. 30, 19—. Paid interest on bonds in cash, \$166.67.

Dividend warrants issued on Feb. 1 to holders of common stock for Dividend No. 9 are presented for payment. They amount to \$100.00, and are paid in cash.

Close Transportation Expense and Maintenance Expense into Operating Expense. Close Operating Expense into General Expense. Close General Expense and Interest on Bonds into Loss & Gain. Taxes, Track Rental, Express Earnings, Freight Earnings, and Passenger Earnings have already been closed into Loss & Gain. Close Loss and Gain into Undivided Profits.

Write off for depreciation as follows: From Repair Shop, 2%; from Rolling Stock 1%; from Road Bed and Tracks, ½%. Close the three property accounts.

May 1. The directors order reservations from profits as follows: For surplus, \$2500.00; for contingencies, \$1000.00; and for depreciation, \$5000.00. They also declare dividends of 2% on the preferred stock and 1% on the common stock (Dividend No. 10). Close the Undivided Profits account.

The preferred dividends are paid in cash.

The directors order that \$25000.00 in cash be paid over to the sinking fund trustees. The trustees now have \$100000, and are instructed to pay off the bonds. Make a journal entry debiting the bond account and crediting the sinking fund account.

May 10. The company has lost a damage suit and been compelled to pay \$5000.00 in cash for an accident to a passenger. Charge the Contingency account.

Take a trial balance.

Review Questions

What is a Sinking Fund Asset account?

Why is it the exact opposite of a Sinking Fund Reserve account?

What is the difference between a Depreciation Reserve account and a Depreciation Expense account?

What is a Contingency Reserve?

What subordinate account closes into Expense, in Exercise III? What two subordinate accounts close into this subordinate account?

Of the seven main loss or gain accounts, what four exhibit expense?

What two classes of dividend accounts are kept? Why?

What other name is sometimes given for the Sinking Fund Assets (Trustees) account? Why is the name here used preferable?

Into what accounts are the undivided profits distributed?

EXERCISE IV—THE SYRACUSE GAS CO.

Purpose

To give an idea of the elaborate system of cost accounts required for the book-keeping of a large manufacturing corporation; to show how the profits of the business of a subsidiary company may be kept in the Loss & Gain account, no special funds or reserves being maintained except for Dividend, and no Undivided Profits account being kept.

As the obligations of the subsidiary company are all guaranteed by the larger company of which it is a part, there is no necessity for funding and reserve accounts. The entire net profit is shown in the Loss & Gain account.

Accounts

Construction. This is a property account. It is charged with costs of construction and represents the value of the company's mains.

Franchise. This is a property account, representing the value of the company's franchise, which is, speaking in a general way, the privilege granted by the city of laying and maintaining gas pipes.

Gas Coal. This is an account showing the cost of the coal used in the manufacture of gas. It is closed into Manufacturing.

Tar. This account is similar to the Gas Coal account.

Manufacturing. This is a summary account into which are closed many subordinate accounts such as Gas Coal, Tar, etc. Its result shows the total manufacturing cost. It is closed into the Gas account.

Gratuitous Work. This account shows the cost of work done free of charge for customers. It is closed into Distribution.

Repairs to Mains. This account shows the cost of work in repairing the large pipes or mains through which the gas is distributed over the city. It is closed into Distribution.

Distribution. This is a summary account. Into it are closed the many subordinate accounts showing the cost of the distribution of the gas. It is closed into the Gas account.

Commercial Expense. This is a summary account into which are closed the many subordinate accounts showing office expense. It is closed into the Gas account.

Manufacturing Expense, Distribution Expense, and Office Expense are subordinate accounts closing into Manufacturing, Distribution, and Commercial Expense respectively.

General Expense contains a record of all expense not readily classified in one of the special expense accounts. Its net cost is divided among Manufacturing, Distribution, and Commercial Expense in the proportion which Manufacturing Expense, Distribution Expense and Office Expense bear to each other at the time of closing.

Gas. This account corresponds to the Mdse account of an ordinary business. Into it are closed the Manufacturing, Distribution, and Commercial Expense accounts, besides many other summary accounts for other departments of the business.

This complex system is not burdensome. As a matter of fact, the system lends itself to economy of labor, since it enables each one of the hundreds of clerks to work exclusively on one book or one class of entries. A large volume of business could not be handled without great confusion except under a system that was well classified and greatly subdivided.

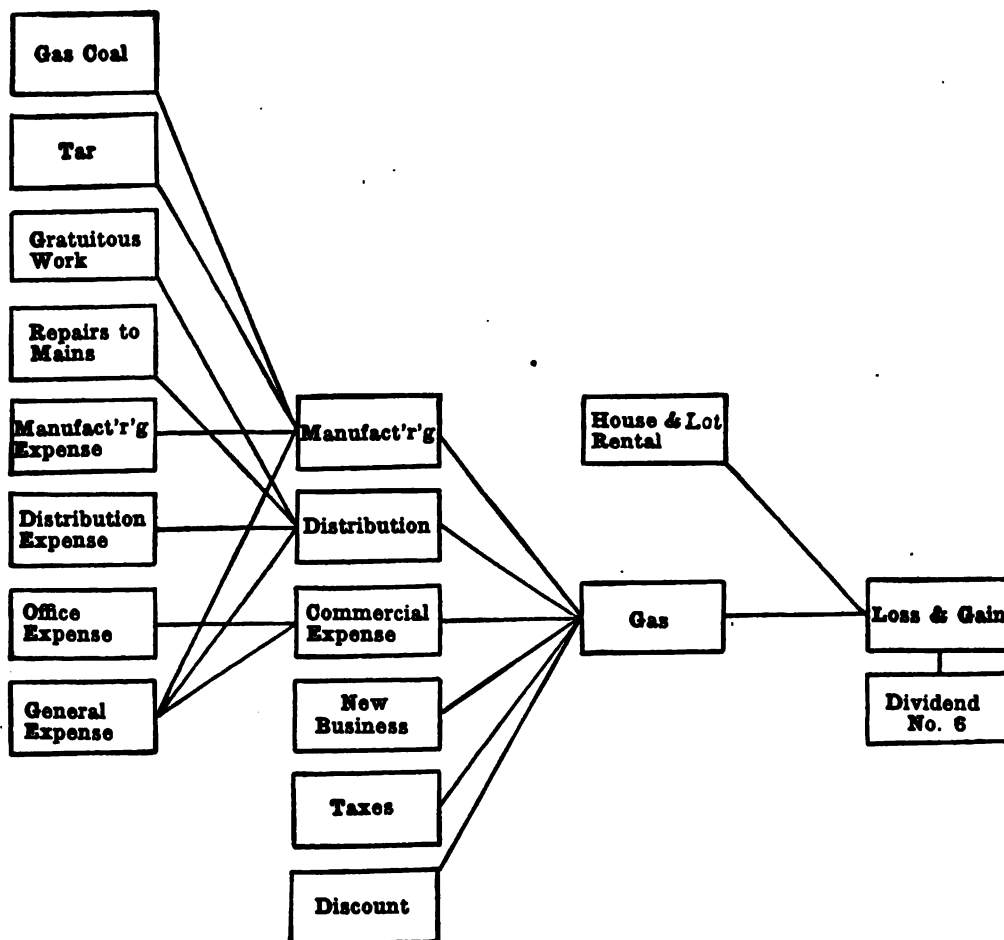
The diagram on page 199 will illustrate the method of cost and profit analysis used in the exercise. Note that the General Expense account balance is distributed to three accounts. Observe how the subordinate accounts (eight are shown in the diagram), close into the summary accounts (six of which are shown). The six summary accounts close into Gas, which we may call a principal loss or gain account. Two principal loss or gain accounts are shown as closing into Loss & Gain. Only one reserve is taken from the Loss & Gain account. This diagram and the other diagrams which have been shown should suggest the unlimited possibilities of cost analysis through the use of subordinate and principal accounts and summary accounts.

Give twelve lines in the ledger to the Gas account; ten each to Manufacturing, Distribution, and Commercial Expense; six lines each to all other accounts.

The accounts of the Syracuse Gas Company, a subsidiary corporation, stand as follows:

Capital Stock, \$100,000.00. Entry dated Oct. 1, 19—.
 Construction. Dr. Balance Oct. 31, \$69802.95.
 Franchise. Dr. Balance Oct. 31, \$25000.00.
 House & Lot Rental. Debit: Oct. 1, Cash, \$525.00. Credits: Oct. 2, Sub-Rentals, \$75.00.
 Gas Coal. Dr. footing Oct. 31, \$1246.75.
 Tar. Dr. footing Oct. 31, \$126.70.
 Gratuitous Work. Dr. footing Oct. 31, \$135.50.
 Repairs to Mains. Dr. footing Oct. 31, \$420.60.
 Manufacturing Expense. Dr. footing Oct. 31, \$3000.00.
 Distribution Expense. Dr. footing Oct. 31, \$2000.00.
 Office Expense. Dr. footing Oct. 31, \$1000.00.
 General Expense. Dr. footing Oct. 31, \$1475.64.
 Manufacturing. Dr. footing Oct. 31, \$4562.50.
 Distribution. Dr. footing Oct. 31, \$2123.64.

DIAGRAM FOR EXERCISE IV



Commercial Expense. Debit items Oct. 31 (already closed from subordinate accounts), are: Col-
lection Expense, \$175.00; Office Supplies, \$250.00; Office Salaries, \$1250.00.

New Business. Debit items Oct. 31 (already closed from subordinate accounts), are: Soliciting,
\$200.00; Advertising, \$300.00; Demonstrating, \$220.00.

Taxes. Debit footing Oct. 31, \$215.00.

Discount. Debit item: Oct. 31, Cash Discount as per C. B., \$525.60. Credit item: Oct. 1, Inven-
tory brought down, \$115.00.

Gas. Credit items Oct. 31 (as already closed from subordinate accounts): Gas Sales per S. L.,
\$17459.60; Prepayment Gas (equivalent to Cash Sales), \$2675.75; Sundry Sales, \$1312.50; City of Syra-
cuse, \$2500.00.

Dividend No. 6. No entries.

Loss & Gain. Credit Balance Oct. 1, \$5308.60.

Cash Book. Balance Oct. 31, \$14891.57.—A trial balance may be taken at this point.

Oct. 31, 19— Close Gas Coal, Tar, and Manufacturing Expense, into Manufacturing.

Close Gratuitous Work, Repairs to Mains, and Distribution Expense, into Distribution.

Close Office Expense into Commercial Expense.

Close General Expense into Manufacturing, Distribution, and Commercial Expense as follows:

Divide its balance into three parts bearing the same ratio to each other as Manufacturing Expense (\$3000.00), Distribution Expense (\$2000.00), and Office Expense (\$1000.00) bear to each other.

Manufacturing Expense,	\$3000.00
Distribution Expense,	2000.00
Office Expense,	1000.00
Total,	6000.00

It is apparent that Manufacturing Expense is 3000/6000 or $\frac{1}{2}$ of the total. Distribution Expense is $\frac{1}{3}$ of the total, and Office Expense is $\frac{1}{6}$ of the total. One-half of the General Expense, therefore, will be closed into Manufacturing, one-third into Distribution, and one-sixth into Commercial Expense. Make three red ink entries.

Close Manufacturing, Distribution, Commercial Expense, New Business, Taxes, and Discount, into Gas. In closing Discount, use a debit inventory of \$120.00. This inventory is the estimated amount of discounts on October bills which will be allowed during November, and its effect is to increase the cost of discounts for October. Bring the inventory down as usual.

Close Gas and House & Lot Rental into Loss & Gain. Close Loss & Gain with a balance, which will show the amount available for dividends.

Nov. 1. A dividend of $1\frac{1}{4}\%$ (Dividend No. 6) is declared and paid in cash. Make a journal entry and a cash book entry. Post both entries.

Take a trial balance.

Review Questions

- What is the only reserve account kept in Exercise IV?
- What two principal loss or gain accounts are kept?
- Which is the more important of the two?
- What are the summary accounts shown in Exercise IV?
- From what four sources is the cost of Manufacturing ascertained?
- What is the purpose of the Distribution account?
- From what four sources is Distribution cost ascertained?
- From what two sources is Commercial Expense ascertained?
- To what accounts is the General Expense distributed and in what proportions? Explain fully.
- What account in Exercise IV corresponds to the principal Mdse account of a mercantile business?
- Why is it unnecessary for this subsidiary corporation to keep reserve and funding accounts?
- What are the advantages of a high classification of the accounts of a large corporation?

EXERCISE V—THE CANTON PLOW CO.

Purpose

To exhibit the method of making a clean-cut distinction between costs of manufacturing and costs of selling, so as to arrive at the exact cost of the article produced. To illustrate the plan of taking surplus and reserves direct from the Loss & Gain account and transferring the remainder to the Undivided Profits account.

The effect of this plan of profit distribution is that Undivided Profits at no time shows anything but undivided profits, or the profits remaining after the surplus and reserve accounts have been cared for. Dividends are taken from Undivided Profits. The fact that dividends must not exceed net profits makes this a convenient plan. The plan of transferring the entire balance of Loss & Gain to Undivided Profits and taking surplus, reserves, and dividends therefrom, as illustrated in the preceding exercises, is the better plan, however, and is in more general use. The less popular plan is here shown in order that the student may become familiar with both.

Accounts

Subscription. This account exhibits the balance unpaid on capital stock. It is a controlling account for the subscribers' accounts in the stock ledger.

Steel, Lumber, and Rivets. These accounts represent costs of materials used in constructing plows. They close into the Raw Materials account.

Purchase Discount. This account effects a diminution of the cost of materials. It is closed into Raw Materials.

Coal, Office Expense, and General Expense are subordinate to Manufacturing Expense, closing into it.

Raw Materials, Manufacturing Labor, and Manufacturing Expense close into Manufacturing Cost.

Manufacturing Cost, when all its subordinate accounts are closed into it, exhibits the cost of the manufactured product as it is laid down in the Store-Room.

Store-Room stock records should be kept. The records of quantities of stock received are entered under proper heads (that is, a separate record for each implement manufactured), and the quantities sold are entered under these heads. The difference between the quantity received and the quantity sold is, in each case, the quantity on hand. The inventory thus furnished is of great value from day to day as showing on what articles the stock is running low. At the time of closing the books an inventory should be taken by an actual count of the goods in order to guard against error in the stock records. This is sometimes called a "physical" inventory.

Sales. This account is credited for all sales; and the Selling Expense, Shipping Expense, and Sales Discount accounts are closed into it.

Selling Expense consists mainly of salesmen's salaries and expenses.

Shipping Expense includes salaries of shipping clerks, materials used in the shipping-room, out-freight, etc.

Sales Discounts are a diminution of receipts from sales. Hence this account is closed into Sales.

Plows. This is the Mdse account. It is closed into Loss & Gain.

Interest. This account affects neither the cost of manufacturing or the sales. It is closed directly to Loss & Gain. Most of the interest items are for interest accrued on unpaid subscriptions.

Plant. This is a property account. It represents the value of the factory and site, machinery, and fixtures. Separate records could of course be kept for these things.

On page 202 is a diagram illustrating the system of cost analysis and profit distribution used in this exercise. Note the classification of expenses into expenses of manufacturing and expenses of selling. Note that the reserves are taken from Loss & Gain but that dividends are taken from undivided profits.

Dec. 31, 19—. The books of the Canton Plow Company stand as follows:

Capital Stock, \$100000.00.

The subscription account is debited for the full amount of the capital stock. It also shows that 75% of the capital stock has been paid in.

The subordinate material accounts exhibit the following total costs: Steel, \$12346.45; Lumber, \$7842.65; Rivets, \$3509.84.

The Purchase Discounts account exhibits a credit balance of \$346.78.

The Raw Materials account has no entries.

The Manufacturing Labor account shows a total cost of \$6074.28.

The subordinate expense accounts exhibit the following total costs: Coal, \$1925.60; Office Expense, \$1276.24; General Expense, \$757.88.

The Manufacturing Expense account has no entries.

The Manufacturing Cost account contains no entries.

The accounts subordinate to the Sales account show the following debit footings: Selling Expense, \$429.60; Shipping Expense, \$251.25; Sales Discounts, \$392.47. Shipping Exp. Invt. (resource), \$13.50.

The Sales amount to \$48365.26.

The Plows account shows an inventory brought down of \$9426.75.

The Interest accounts shows net returns amounting to \$125.00.

The Loss & Gain account has no entries.

The Plant account shows an inventory brought down of \$56542.00.

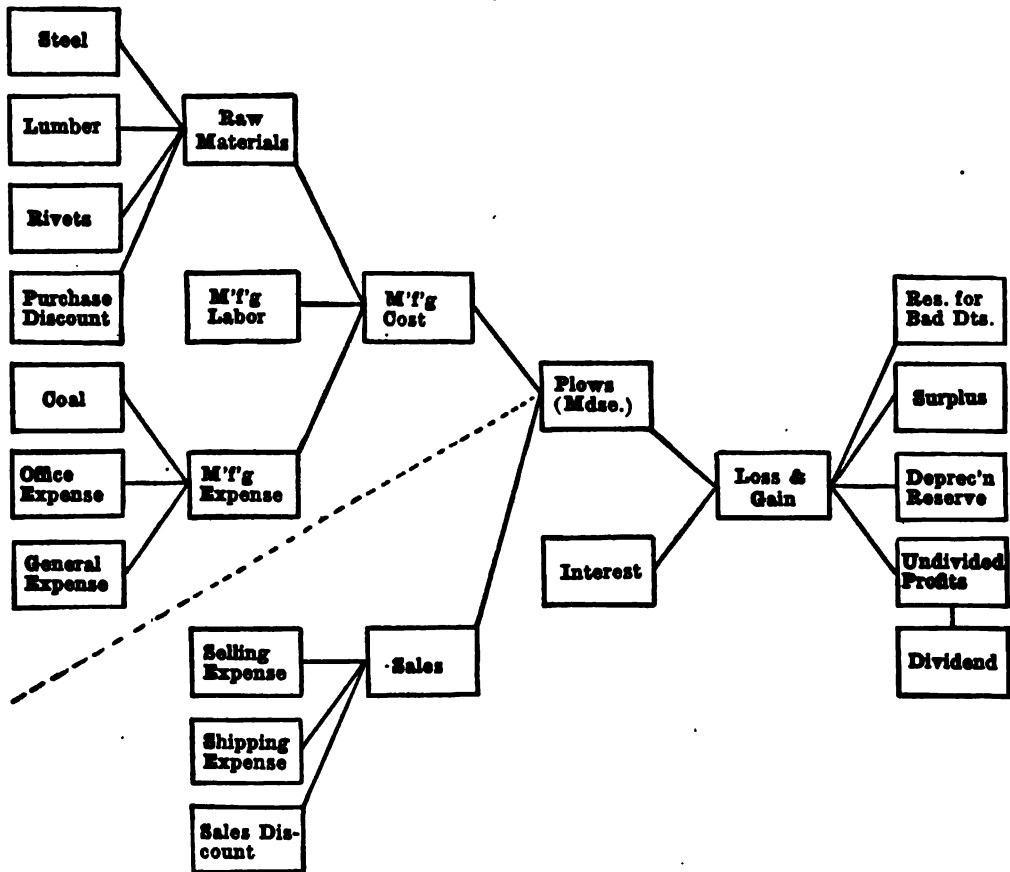
The Accounts Receivable account has a balance of \$5674.20.

The Accounts Payable account has a balance of \$4726.89.

The Reserve for Bad Debts account exhibits a credit balance of \$129.60.

The Surplus Account exhibits a reserve of \$13000.00.

DIAGRAM FOR EXERCISE V



The Depreciation Reserve account is credited with \$1237.50.
 The Undivided Profits account has a credit balance of \$329.65.
 The Dividend No. 17 account contains no entries.
 The Cash Book balance is \$36811.47.

Take a trial balance.

Dec. 31, 19—. A call is issued for the balances of unpaid subscriptions. These balances, with accrued interest amounting to \$250.00 in total, are paid in in cash by the subscribers.

Close Steel, Lumber, Rivets, and Purchase Discount, into Raw Materials. Inventories: Steel, \$1269.50; Lumber, \$982.60; Rivets, \$604.27.

Close Coal, Office Expense, and General Expense, into Manufacturing Expense. Coal Inventory, \$246.80.

Close Raw Materials, Manufacturing Labor, and Manufacturing Expense, into Manufacturing Cost.

Close Selling Expense, Shipping Expense, and Sales Discount into Sales.

Close Manufacturing Cost, and Sales, into Flows.

Close Flows (Inventory \$9537.20), and Interest, into Loss & Gain.

Write off 3% depreciation from the Plant account. This is charged to Depreciation.

Make reserves as follows, from the Loss & Gain account: For Bad Debts, 1% of Accounts Receivable; for Surplus, \$5000.00; for Depreciation Reserve, \$2000.00.

Transfer the balance of the Loss & Gain account to the Undivided Profits account.

Jan. 1, 19—. It is now apparent from the condition of the Undivided Profits account that a 5% dividend may be safely declared, leaving half of the profits untouched. A 5% dividend is therefore declared and paid in cash. Make a journal entry and a cash book entry. Balance the Undivided Profits account.

Jan. 10. One of our customers has failed. He owes us \$120.00 but can pay only 60¢ on the dollar, which amount he pays in cash. Charge the loss to the Reserve for Bad Debts account. Make a journal entry and a cash book entry.

Jan. 15. One of our employes has been injured and we have paid him \$5000.00 in cash. As we keep no Contingency reserve, charge the loss against the Surplus account.

Balance the cash book.

Take a trial balance.

Review Questions

What are the two principal loss or gain accounts?

What account shows the net cost of manufacturing?

What account shows the net returns from the product manufactured?

Why is Purchase Discount classed with the accounts showing manufacturing cost while Sales Discount is classed with the selling accounts?

What three accounts close into Manufacturing cost?

What three accounts close into Sales?

What are the subordinate accounts shown in Exercise V and into what summary accounts do they close? (This question involves the entire system of costs used in this exercise.)

Suggest three subordinate accounts to close into the Selling Expense account.

The balance of Loss and Gain is transferred to what four accounts? How much of it is carried to Undivided Profits?

What is the advantage of the plan used in Exercise V for the Undivided Profits account?

What is the best way to handle the Undivided Profits account, and why?

What is the only account created from the Undivided Profits account in Exercise V?

What is done with the balance of the Undivided Profits account?

DISSOLUTION OF A CORPORATION

A corporation may be dissolved in one of four ways:

1. *By charter limitation*, the time having expired for which it was granted life by its charter.*

2. *By completion*, the purpose for which it was created having been fulfilled. In this case there is no longer any reason for its existence.

3. *By involuntary dissolution*, as when, by the act of court, its existence is terminated. This may be because of petition of creditors, or on account of its illegal acts.

4. *By voluntary dissolution*, as when stockholders relinquish an unprofitable enterprise.

Whatever may be the cause of its dissolution, the net cash realized from the sale of its assets after the expenses incident to dissolution have been met, is distributed among investors in the following general order of precedence:

- 1st. Bondholders.
- 2d. Preferred Stockholders.
- 3d. Common Stockholders.

*See page 76.

Corporations whose powers have expired by limitation or otherwise may continue to exist for two years for the sole purpose of closing the corporate affairs.

Closing Entries on Dissolution

When the net cash on hand is distributed among stockholders, the following entry is made:

Dr. Capital Stock.
Cr. Cash.

It may be that the amount of cash so paid will not equal the full face value of the capital stock. This discrepancy may be accounted for on the books by the following entry:

Dr. Capital Stock.
Cr. Undivided Profits.

If the stock realizes more than its face, and the cash paid to stockholders exceeds the face value of the stock, then:

Dr. Undivided Profits.
Cr. Capital Stock.

Since Capital Stock, Undivided Profits, and Cash were the only open accounts before these final entries were made, every account should now balance.

Review Questions

1. What is a corporation?
2. Name the three classes of corporations and define each.
3. In which class are railroads and other public utility corporations usually placed?
4. Name at least five advantages of the corporate form of organization.
5. What is the Certificate of Incorporation?
6. Give several names by which this instrument is known.
7. What is a charter? What two meanings has the word?
8. What is the usual procedure in case of organization under a general incorporation act?
9. Who is an incorporator? A subscriber? A stockholder? A promoter?
10. State the distinction between capital stock and capital.
11. How is the capital stock of a corporation generally divided?
12. What does a stockholder have to show his interest in the corporation?
13. Is this personalty or realty?
14. State the distinction between common and preferred stock.
15. Under what circumstances is preferred stock generally issued?
16. What is participating preferred stock?
17. What is non-participating preferred stock?
18. What is cumulative preferred stock?
19. In case several classes of preferred stock are issued, how are they distinguished?
20. Why is it right that some stock should be preferred?
21. Under what circumstances are dividends on stock sometimes guaranteed?
22. What is treasury stock?
23. What is watered stock?
24. State the distinction between watered stock and over-issued stock.
25. What is the nominal value of a share of stock?
26. What is its market value?
27. What is its intrinsic value? How may this be ascertained?
28. How may the ownership of stock be transferred?
29. Is a subscriber who transfers partly paid-up stock relieved from liability for the unpaid balance?
30. What are dividends?
31. By what authority are dividends declared?

32. Against whom may creditors bring suit for recovery for their loss on account of dividends being paid out of capital?
33. In whom is the management of a corporation vested?
34. How are they appointed?
35. By whom are their instructions carried out?
36. On what matters may stockholders usually vote?
37. What special voting privileges are granted to stockholders in Illinois corporations?
38. Into what two general divisions are the powers of a corporation classified?
39. Name at least five incidental powers.
40. Chartered powers. What two kinds are there?
41. Give at least five illustrations of each.
42. What is meant by the "power of succession"?
43. To what extent only may a corporation purchase and hold real estate, except by special provision of the charter?
44. How may a corporation act as an individual?
45. What are by-laws?
46. What remedy has a corporation against a stockholder who is a debtor of the corporation?
47. What is cumulative voting?
48. Show how cumulative voting protects the minority stockholders.
49. Under what conditions may a corporation endorse or guarantee commercial paper?
50. To what extent is a stockholder generally liable to corporate creditors?
51. To what extent is a stockholder in a national bank liable to corporate creditors?
52. Upon what must a creditor of a corporation rely for payment?
53. Upon what knowledge must he rely in extending credit to the corporation?
54. What are the four classes of corporation records?
55. In what respect is corporation accounting like the accounting of any other business?
56. What records must be kept in corporation accounting that are not kept in an ordinary business?
57. Name the three principal books for stock records.
58. Name two auxiliary stock record books.
59. What is the purpose of the minute book?
60. What is the object of the capital stock account?
61. Where are individual investments of stockholders shown?
62. What is the entry when capital stock is all paid in cash?
63. What entries must be kept when the capital stock is all subscribed for but only a part paid in cash?
64. What is the entry in case capital stock is not fully subscribed for and the subscription not fully paid in cash?
65. What is promotion expense?
66. What is the purpose of the stock discount account?
67. Is a credit to a customer's account on account of stock discount valid as against creditors of the corporation?
68. What special accounts are required by the plan of the distribution of the profits of a corporation?
69. What is a bond and under what circumstances is it issued?
70. What is a debenture bond?
71. What are mortgage bonds?
72. What is the purpose and use of the Sinking Fund Assets account?
73. What is the distinction between the Sinking Fund Assets account and the Sinking Fund Reserve account?
74. What entry is made to close the Sinking Fund Assets account?
75. What entry is made to close the Sinking Fund Reserve account?
76. Under what four conditions may a corporation be dissolved?
77. What is done with the assets of a corporation when it is dissolved?
78. What closing entries are usually necessary on the dissolution of a corporation?
79. What, in general, is the order of precedence among investors when assets are distributed among them?

Corporation Forms

On pages 8, 9 and 21 are illustrations of three very important corporation forms: The certificate of incorporation, the certificate of stock, and the coupon bond. You are urged to study these forms carefully. Read every word of them. You will thus learn more about them than you could in any other way.

The *certificate of incorporation* shown is issued to a corporation only after the commissioners have filed with the Secretary of the State of Illinois proofs that the laws of incorporation have been complied with in every respect. Note the formal wording of this document.

Certificates of stock are printed and issued by the corporation to its stockholders. They are usually bound together, each being attached to a stub as shown in the illustration. As they are issued, the certificate is torn away from the stub and delivered to the stockholder, a record of the important facts being made on the stub at the same time. Sometimes the stub is posted from. Note that there is a space on the stub for the shareholder's receipt.

Coupon Bond. It is a first mortgage bond because there exists no prior lien on the property pledged for its redemption. It is a gold bond because it is ultimately to be redeemed in gold. The interest is also payable in gold. It is a coupon bond because it is accompanied by coupons (at the right in the illustration), which are to be clipped off and presented when the interest falls due. It is a trust bond because the company's property is deeded in trust to a Trustee for its redemption. Note the resemblance of the wording of a bond to that of a promissory note.

Questions on Corporation Forms

The answers will be found by reading the forms on pages 8, 9 and 21.

1. In accordance with what act and amendments must a statement be filed before incorporation?
2. What must be issued to commissioners before subscriptions for a corporation may be secured?
3. Who has power to certify that a corporation has been formed according to law?
4. What facts are recorded on the Stock Certificate stub?
5. Where and how may the above Stock Certificate be transferred?
6. Who is named as Trustee in the bond, and what are his powers?
7. What may the holder of the Bond shown do if interest is not paid?
8. How may the holder of the bond get rid of it to the company?
9. Does the company reserve the right to call the bond in?
10. On what dates are the interest coupons payable?
11. Where is the interest payable?

OUTLINES OF PROCESSES OF INCORPORATION IN THE VARIOUS STATES

ALABAMA

1. Certificate signed by all subscribers.
 2. Certificate filed with and recorded by probate judge of county.
 3. Certificate of registration endorsed thereon by probate judge.
 4. Statement signed by said judge filed with Secretary of State together with proofs of compliance with statutory regulations.
- Existence commences after step 2 and payment of fees

ALASKA

1. Incorporators sign and acknowledge articles of incorporation in triplicate.
2. One copy filed with Secretary of District of Alaska. One copy filed with clerk of district court. One copy retained.

ARIZONA

1. Articles signed and acknowledged.
 2. Articles recorded with county recorder.
 3. Certified copy thereof filed with Territorial Auditor.
 4. Articles published in newspaper and affidavit thereto filed with Auditor.
- Existence commences after step 3.

ARKANSAS

1. Articles of association signed by all incorporators.
 2. Organization effected.
 3. Copy of articles of incorporation, and a certificate of organization filed with and recorded by county clerk.
 4. Articles and certificate, endorsed by county clerk, filed with Secretary of State.
 5. Secretary of State issues Certificate of Incorporation.
- Existence commences after step 2.

CALIFORNIA

1. Articles signed and acknowledged by all incorporators.
2. Articles filed with county clerk and certified copy thereof filed with Secretary of State after payment of fees.
3. Certificate that above has been done issued by Secretary of State.

COLORADO

1. Certificates signed and acknowledged by all incorporators.
 2. An original certificate filed in each county where principal business is to be carried on, and with Secretary of State.
 3. Certificate of authority to transact business issued by Secretary of State.
 4. Certificates of compliance with statutory regulations must be filed in all offices where original certificates were filed.
- Existence commences after step 2 and payment of fees.

CONNECTICUT

1. Certificate signed and sworn to by all incorporators.
 2. Certificate filed with Secretary of State.
 3. Certificate "approved" and recorded by Secretary of State.
 4. Copy of above, certified by Secretary of State, filed with town clerk.
 5. Statutory provisions as to organization complied with.
- Existence commences after step 3. Business may be commenced after step 5.

DELAWARE

1. Certificate signed, sealed, and acknowledged by all original subscribers.
2. Original certificate filed with Secretary of State.
3. Certified copy thereof recorded by County Recorder of Deeds.
4. Organization tax paid to Secretary of State.

DISTRICT OF COLUMBIA

1. Charter subscribed and acknowledged by all incorporators.
2. Charter filed with district recorder of deeds after proofs of compliance with laws have been submitted to him.

FLORIDA

1. Charter subscribed and acknowledged by all incorporators.
2. Publication through newspaper.
3. Charter filed with Secretary of State.
4. Charter submitted to Governor.
5. Letters patent issued by Governor after statutory regulations have been complied with.
6. Certified copy of charter issued to corporation by Secretary of State upon receipt of fees.
7. Letters patent and certified copy of charter filed with county clerk.

GEORGIA

1. Petition published in newspaper.
2. Petition granted by court order.
3. The petition and the court's order recorded by clerk of Superior Court.
4. Statutory provisions complied with.

HAWAII

1. Incorporators sign and acknowledge articles of association.
 2. Articles of association recorded with Treasurer of Territory accompanied by proofs of compliance with statutory provisions.
- Existence commences when statutory provisions have been complied with.

IDAHO

1. Articles subscribed and acknowledged by all incorporators.
 2. Articles filed with county recorder.
 3. Certified copy thereof filed with Secretary of State.
 4. Secretary of State issues certificate that above has been done.
- Corporation may commence business after step 3.

ILLINOIS

1. Statement signed and acknowledged by all incorporators.
2. Statement filed with Secretary of State.
3. License to solicit subscription issued by Secretary of State.
4. Proofs of compliance with statute forwarded to Secretary of State.
5. Certificate of Incorporation issued by Secretary of State.
6. Above certificate recorded with county recorder.

INDIANA

1. Articles of association signed and acknowledged by all incorporators.
2. Articles filed with Secretary of State, accompanied by statement of proposed plan, and fees. Copy of articles filed with State Auditor.
3. Certificate of Incorporation issued by Secretary of State.
4. Duplicate of articles filed with county recorder. Manufacturing and mining companies file the original articles with the county recorder and the duplicate with the Secretary of State.

IOWA

1. Articles of Incorporation signed and acknowledged by incorporators.
2. Articles recorded with county recorder.
3. Articles endorsed by recorder and forwarded to Secretary of State for record, with fee.

4. Publication in newspaper and proof of publication filed with Secretary of State. Existence commences after step 3.

KANSAS

1. Petition for charter presented to State Charter Board with application fee.
 2. Certificate issued by Secretary of Board authorizing incorporation.
 3. Charter prepared according to law.
 4. Charter signed and acknowledged by at least five incorporators.
 5. Charter filed with Secretary of State, with fee.
 6. Certified copy of charter issued to corporation by Secretary of State.
- Business may be commenced after step 5 if proofs of compliance with laws have been filed with Secretary of State.

KENTUCKY

1. Articles of Incorporation signed and acknowledged by all incorporators.
2. Articles recorded with county clerk.
3. Copy thereof filed with and recorded by Secretary of State.
4. Proofs of compliance with law forwarded to Secretary of State.

LOUISIANA

1. Articles signed and acknowledged.
2. Charters for commercial and manufacturing corporations recorded with recorder of mortgages for parish, with subscription list.
3. Publication in newspapers.
4. Certified copy of charter filed with Secretary of State, together with proofs of steps 2 and 3.

MAINE

1. Articles of association signed by incorporators.
2. Organization effected according to statutory specifications.
3. Certificate of organization signed and sworn to by president and majority of directors, submitted to Attorney General and approved by him.
4. Above recorded in office of register of deeds.
6. Copy, certified by register of deeds, filed with Secretary of State.

MARYLAND

1. Charter, executed and acknowledged, submitted to one of the circuit judges of the county. (In Baltimore, to one of the judges of the Supreme Bench.)
2. Above, certified by the said judge, filed with circuit clerk of the county. (In Baltimore, with the clerk of the Superior court.)
3. Copy of charter forwarded to State Tax Commissioner with fee.

MASSACHUSETTS

1. Incorporators sign agreement of association.
2. Organization effected.
3. Articles of organization signed and sworn to by majority of directors.
4. Articles of Organization and proofs of compliance with statutory provisions certified by commissioner of corporations.
5. Articles, certified as above, filed with Secretary of State of the Commonwealth.
6. Certificate of Incorporation issued by Secretary of State of the Commonwealth.

MICHIGAN

1. Articles of association signed and acknowledged by all incorporators.
 2. Organization effected.
 3. Articles recorded with Secretary of State and clerk of county.
- Existence commences after step 2. Business may be begun only after step 3.

MINNESOTA

1. Articles signed and acknowledged by all incorporators.
2. Articles published in newspaper.
3. Proof of step 2 filed with Secretary of State.
4. Articles recorded with county register of deeds.
5. Articles filed with Secretary of State, together with proofs of compliance with statute, and State Treasurer's receipt for tax.

6. Certificate of Incorporation issued by Secretary of State. Existence commences after step 3; but for mining and manufacturing corporations not till after step 5.

MISSOURI

1. Articles signed and acknowledged by the incorporators.
 2. Articles recorded with county or city recorder of deeds.
 3. Certified copy of articles filed with Secretary of State, together with duplicate of State Treasurer's receipt for fee.
 4. Certificate that corporation has been duly organized issued by Secretary of State.
 5. Certified copy of above recorded with county recorder of deeds.
- Existence begins after step 3.

MONTANA

1. Articles signed and acknowledged by all incorporators.
2. Articles filed with county clerk.
3. Certified copy of above filed with Secretary of State.
4. Certificate that step 3 has been done issued by Secretary of State.

NEBRASKA

1. Articles of incorporation signed by all incorporators, and acknowledged.
2. Articles filed with Secretary of State, with fee.
3. Also filed with county clerk.

NEVADA

1. Articles signed and acknowledged by the incorporators.
2. Articles filed and recorded by county clerk.
3. Certified copy filed and recorded by Secretary of State, with fee.
4. Certificate that this has been done issued by Secretary of State.

NEW HAMPSHIRE

1. Articles recorded by town clerk.
2. Articles recorded by Secretary of State.
3. Charter fee paid to State Treasurer.
4. Organization perfected.

NEW JERSEY

1. Certificate of Incorporation proved and acknowledged as required for deeds of real estate.
2. Three copies of above made. One filed with county clerk and recorded by him. Two certified by county clerk and forwarded to Secretary of State. One of these retained by Secretary of State; one certified by him and returned to incorporators.

NEW MEXICO

1. Certificate of Incorporation signed by all original subscribers.
2. Certificate acknowledged as for deeds of real estate.
3. Above filed with Secretary of the Territory.
4. Copy thereof, certified by Secretary of the Territory, recorded by county recorder.
5. Publication.
6. Proof of publication filed with Secretary of State. Existence commences after step 4.

NEW YORK

1. Certificate of Incorporation acknowledged by all incorporators.
2. Above filed with and recorded by Secretary of State.
3. Certified copy filed with county clerk, with receipt for fees.

NORTH CAROLINA

1. Certificate signed and acknowledged by all incorporators.
2. Above filed and recorded with Secretary of State after payment of fees.
3. Certified copy of the certificate and probate recorded with clerk of County Superior Court.

NORTH DAKOTA

1. Charter subscribed and acknowledged by all incorporators.
2. Articles filed with Secretary of State together with duplicate of State Treasurer's receipt for fees.
3. Certificate of Incorporation issued by Secretary of State.

OHIO

1. Articles signed and acknowledged by all incorporators.
2. Above filed with Secretary of State. When statutory requirements have been complied with and it is so certified to the Secretary of State the corporation's existence commences.

OKLAHOMA

1. Articles subscribed and acknowledged by all incorporators.
2. Articles filed with and recorded by Secretary of Territory.*
3. Certificate that this has been done issued by Secretary of Territory.

* Under the new State Constitution (1907) a corporation may not commence business until a statement is filed with the State Corporation Commission, with fees.

OREGON

1. Articles subscribed and acknowledged by incorporators, in triplicate.
2. One copy filed with Secretary of State. One copy filed with county clerk. One copy retained by corporation.
4. Certificate of incorporation issued by Secretary of State when fees have been paid.

PENNSYLVANIA

1. Certificate subscribed and acknowledged by two or more incorporators and sworn to.
2. Publication in newspaper.
3. Proof of publication filed with Secretary of State.
4. Certificate of organization filed with Secretary of State.
5. Certificate and proof of publication forwarded to Governor.
6. Governor endorses above, and issues Letters Patent.
7. Certificate recorded with Secretary of State and registered with Auditor General.
8. Above recorded with county recorder of deeds.
9. Statement filed with Auditor of Commonwealth.

RHODE ISLAND

1. Agreement signed by incorporators and jointly acknowledged by them.
2. Agreement filed with Secretary of State with receipt for fees.
3. Certificate of Incorporation issued by Secretary of State.
Business may be commenced after step 2.

SOUTH CAROLINA

1. Petition signed and acknowledged by incorporators.
2. Petition recorded by Secretary of State.
3. Commission to solicit subscription authorized by Secretary of State.
4. Proofs of compliance with requirements of law filed with Secretary of State.
5. Charter issued by Secretary of State after payment of fees.
6. Copy of charter recorded by register of conveyances or clerk in each county where the corporation has a business office.

SOUTH DAKOTA

1. Certificate signed and acknowledged by incorporators.
2. Two incorporators swear that the corporation does not seek to avoid anti-trust laws.
3. Certificate filed and recorded with Secretary of State.
4. Certificate of Incorporation issued by Secretary of State.

TENNESSEE

1. Incorporators sign and acknowledge execution of charter, which is in reality a petition.
2. Above is recorded in county and state offices.
3. Secretary of State issues certificate of registration.
4. Certificate of registration filed with county register.

TEXAS

1. Articles subscribed by all incorporators, and acknowledged by them.
2. Articles filed with Secretary of State after payment of fees and proof of compliance with laws.

UTAH

1. Agreement subscribed by all incorporators and acknowledged by three or more.
2. Agreement and proofs of compliance with statutes governing organization filed with county clerk.
3. County clerk certifies to step 2.
4. Above certification and copies of proofs of compliance with statutes filed with Secretary of State.
5. Secretary of State certifies that this has been done.

VERMONT

1. Articles subscribed by all incorporators.
2. Articles submitted to Secretary of State, and recorded by him.
3. Certified copy thereof recorded by town clerk.
Existence cannot commence until after payment of fees.

VIRGINIA

1. Certificate of incorporation subscribed by incorporators.
2. Above certified by Judge of corporation, circuit, or chancery court.
3. Organization tax paid.
4. Certificate certified by State Corporation Commission and forwarded to Secretary of Commonwealth.
5. Above recorded by Secretary of Commonwealth and certified by him.
6. Recorded by clerk of county circuit court or city corporation court and endorsed by him. (In Richmond, by clerk of chancery court.)
7. Filed with clerk of State Corporation Commission.
Existence commences after step 4.

WASHINGTON

1. Incorporators subscribe and acknowledge articles of incorporation in triplicate.
2. One copy filed with Secretary of State. One copy filed with county auditor. One copy retained.
3. Proofs of compliance with statutes filed with county auditor.

WEST VIRGINIA

1. Agreement of incorporation signed and acknowledged by all five incorporators.
2. Application to Secretary of State.
3. Certified copy of above recorded with county clerk.

WISCONSIN

1. Articles of association signed and acknowledged.
2. Verified copy of above filed with Secretary of State with organization tax.
3. Above, certified by Secretary of State, filed with register of deeds.
4. Certification of above filing forwarded to Secretary of State.
5. Certificate of Incorporation issued by Secretary of State.

WYOMING

1. Duplicate certificate of incorporation signed and acknowledged by incorporators.
2. One copy filed with county clerk. One copy filed with Secretary of State.
3. Publication in newspapers.
4. Proof of publication filed with Secretary of State, together with fee for filing.

CORPORATION LAWS IN THE VARIOUS STATES

STATES	Is a certificate issued by State officials?	Minimum No. of incorporators required.	Maximum and Minimum par value of shares.	Minimum capitalization Pd. in to commence business.	Percentage of Cap. Stock to be subscribed before commencing business.	Does statute expressly authorize issue of preferred stock?	Does statute confer power to purchase stock in other corporations?	Does statute confer power to consolidate with other corporations?
Alabama.....	No	3	Any amt	20%	25%	Yes	Yes	Yes
Alaska.....	No	3	Any amt	No limit	None	No	No	No
Arizona.....	No	2	Any amt	No limit	None	No	No	No
Arkansas.....	Yes	3	\$25	No limit	None	Yes	No	No
California.....	No	3	Any amt	No limit	None	No	No	Yes
Colorado.....	No	3	\$1 to \$100	No limit	None	No	No	Yes
Connecticut.....	No	3	Min. \$25	\$1000	\$1000	Yes	Yes	Yes
Delaware.....	No	3	Any amt	\$1000	\$1000	Yes	Yes	Yes
District Columbia	No	3	Any amt	10%	10%	No	Forbidden	No
Florida.....	No	3	Min. \$10	10%	10%	No	No	No
Georgia.....	No	2	Any amt	10%	10%	No	Yes	No
Hawaii.....	No	5	Any amt	10%	75%	Yes	No	No
Idaho.....	No	3	Any amt	No limit	None	No	No	No
Illinois.....	Yes	3 to 7	\$10 to \$100	50%	All	No	Yes, lmtd	Yes
Indiana.....	Yes	3	Max. \$100	No limit	None	Yes	Yes, lmtd	Yes
Iowa.....	No	1	Any amt	No limit	None	No	No	No
Kansas.....	No	5	Any amt	20%	20%	Yes	No	No
Kentucky.....	No	3	Any amt	No limit	50%	Yes	No	Yes
Louisiana.....	No	3	Any amt	No limit	None	No	No	Yes
Maine.....	No	3	Any amt	No limit	None	Yes	Yes	Yes
Maryland.....	No	5	Any amt	No limit	None	Yes	No	Yes
Massachusetts.....	No	3	Min. \$5	No limit	None	Yes	No	No
Michigan.....	No	3	\$10 to \$100	10%	50%	Yes	No	No
Minnesota.....	No	3	\$1 to \$100	No limit	None	Yes	No	No
Mississippi.....	No	2	Any amt	No limit	None	No	No	No
Missouri.....	Yes	3	Any amt	50%	All	Yes	No	Yes
Montana.....	No	3	Any amt	No limit	None	Yes	No	Yes
Nebraska.....	No	1	Any amt	No limit	None	No	No	No
Nevada.....	No	3	Any amt	No limit	\$1000	Yes	Yes	Yes
New Hampshire.....	No	5	\$25 to \$500	No limit	None	Yes	Yes	Yes
New Jersey.....	No	3	Any amt	\$1000	\$1000	Yes	Yes	Yes
New Mexico.....	No	3	Any amt	\$2000	\$2000	Yes	Yes	Yes
New York.....	No	3	\$5 to \$100	\$500	\$500	Yes	Yes	Yes
North Carolina.....	No	3	Any amt	No limit	None	Yes	No	No
North Dakota.....	No	3	Any amt	No limit	None	No	No	No
Ohio.....	No	5	Any amt	No limit	10%	Yes	Yes, lmtd	Yes
Oklahoma.....	No	3	Any amt	No limit	None	No	No	No
Oregon.....	No	3	Any amt	No limit	50%	No	No	Yes, lmtd
Pennsylvania.....	No	3	Max. \$100	10%	10%	Yes	Yes	Yes
Rhode Island.....	No	3	Any amt	No limit	None	Yes	No	No
South Carolina.....	No	2	Any amt	20%	50%	Yes	No	No
South Dakota.....	No	3	Any amt	No limit	None	No	No	Yes
Tennessee.....	No	5	Max \$100	No limit*	None	Yes	Yes	Yes
Texas.....	No	3	Any amt	10%	50%	Yes	No	No
Utah.....	Yes	5	Any amt	10%	10%	Yes	No	Yes
Vermont.....	No	5	Max. \$100	25%	25%	No	No	No
Virginia.....	No	3	Any amt	No limit	Min. Cap.	Yes	Yes	Yes
Washington.....	No	2	Any amt	No limit	All	No	Yes	No
West Virginia.....	No	5	Any amt	10% of sub	5 shares	Yes	Yes	Yes
Wisconsin.....	No	3	Any amt	20%	50%	Yes	Yes	No
Wyoming.....	No	3	Any amt	No limit	None	Yes	Yes	No

* Except Brewery Co.'s.

CORPORATION LAWS IN THE VARIOUS STATES

STATES	Has Corp'n lien on stock for debt due from own Stockholders?	Is cumulative voting permitted?	Does statute impose any liability upon subscribers beyond unpaid subscription?	Does statute provide that Cap. Stock is payable in services and property?	Duration.	Minimum No. of directors required by statute.	Can they classify directors?	Are they restricted in holding Real Estate?	Can they purchase own stock?	Can they forfeit stock for non-payment of assessments?
Alabama	Yes	No	No	Yes	Unlmtd	3	No	No	No	Yes
Alaska	No	No	No	Yes	50 yrs	3	No	No	No	Yes
Arizona	No	No	No	No	25 yrs	1	No	No	No	No
Arkansas	Yes	No	No	Yes	Unlmtd	3	No	No	No	Yes
California	No	Yes	Yes	Yes	50 yrs	3	No	No	No	Yes
Colorado	No	Yes	No	Yes	20 yrs	3 to 13	No	No	Forbidden	Yes
Connecticut	Yes	Yes	No	Yes	Unlmtd	3	Yes	No	Yes	Yes
Delaware	No	Yes	No	Yes	Unlmtd	3	Yes	No	Yes	Yes
District Columbia	No	No	No	Yes	Unlmtd	3 to 15	No	Yes	No	Yes
Florida	No	No	No	Yes	Unlmtd	1	No	Yes	No	Yes
Georgia	Yes	No	No	No	20 yrs	1	No	No	No	Yes
Hawaii	No	No	No	Yes	50 yrs	1	No	No	No	Yes
Idaho	No	No	No	Yes	50 yrs	3 to 15	Yes	Yes	No	Yes
Illinois	No	Yes	No	Yes	99 yrs	5 to 11	Yes	Yes	No	Yes
Indiana	Yes	No	Yes	No	50 yrs	3 to 13	No	Yes	No	Yes
Iowa	No	No	No	Yes	20 yrs	1	No	No	No	No
Kansas	No	Yes	No	No	20 yrs	3 to 24	No	No	No	Yes
Kentucky	No	Yes	No	Yes	Unlmtd	3	Yes	Yes	No	Yes
Louisiana	No	No	No	Yes	99 yrs	1	No	No	No	No
Maine	No	No	No	Yes	Unlmtd	3	Yes	No	No	Yes
Maryland	No	Yes	No	Yes	40 yrs	4 to 12	No	No	No	Yes
Massachusetts	No	No	Yes	Yes	Unlmtd	3	Yes	No	No	Yes
Michigan	Yes	Yes	Yes	Yes	30 yrs	3	No	Yes	No	Yes
Minnesota	Yes	No	Yes	No	30 yrs	3 to 15	Yes	Yes	No	Yes
Mississippi	No	Yes	No	No	50 yrs	1	No	No	No	Yes
Missouri	No	Yes	No	Yes	50 yrs	3 to 13	Yes	No	No	Yes
Montana	No	Yes	No	Yes	20 yrs	3 to 13	No	Yes	No	Yes
Nebraska	No	Yes	No	No	Unlmtd	1	No	Yes	No	Yes
Nevada	No	Yes	No	Yes	Unlmtd	3	Yes	No	No	Yes
New Hampshire	No	No	No	Yes	Unlmtd	3	No	No	No	Yes
New Jersey	Yes	Yes	No	Yes	Unlmtd	3	Yes	No	Yes	Yes
New Mexico	No	Yes	No	Yes	50 yrs	3	Yes	No	Yes	Yes
New York	Yes	Yes	Yes	Yes	Unlmtd	3	Yes	No	No	Yes
North Carolina	No	Yes	No	Yes	Unlmtd	3	Yes	No	No	Yes
North Dakota	No	Yes	Yes	Yes	20 yrs	3 to 11	No	No	No	Yes
Ohio	No	Yes	No	Yes	Unlmtd	5 to 15	No	No	No	Yes
Oklahoma	No	No	Yes	Yes	20 yrs	3 to 11	No	No	Yes	Yes
Oregon	No	No	No	No	Unlmtd	3	No	No	No	Yes
Pennsylvania	Yes	Yes	Yes	Yes	Unlmtd	3	Yes	Yes	No	Yes
Rhode Island	Yes	No	No	Yes	Unlmtd	1	No	Yes	No	Yes
South Carolina	Yes	Yes	No	Yes	Unlmtd	1 to 9	No	No	No	Yes
South Dakota	No	Yes	Yes	Yes	20 yrs	3 to 11	No	No	Yes	Yes
Tennessee	No	No	Yes	Yes	Unlmtd	5	No	No	No	Yes
Texas	No	No	No	Yes	50 yrs	3 to 13	No	Yes	No	Yes
Utah	Yes	No	No	Yes	3 to 100	3 to 25	No	No	No	Yes
Vermont	Yes	No	No	No	Unlmtd	3	No	No	No	Yes
Virginia	No	Yes	No	Yes	Unlmtd	3	Yes	Yes	Yes	Yes
Washington	No	No	No	Yes	50 yrs	2	No	No	No	Yes
West Virginia	No	Yes	No	Yes	50 yrs	1	No	Yes	Yes	Yes
Wisconsin	No	No	Yes	Yes	Unlmtd	3	Yes	Yes	No	Yes
Wyoming	No	No	No	Yes	50 yrs	3 to 9	No	No	No	Yes

NEW YORK CHARTER

We present herewith the form of the New York Charter, as being a typical form. While the forms for different states vary in detail, many state charters are patterned closely after the New York charter, and it is believed that the form here shown will give a better idea of a corporation charter than any other state form which could be presented.

CERTIFICATE OF INCORPORATION

of the

DALTON MANUFACTURING COMPANY

We, the undersigned, all being of full age and two-thirds being citizens of the United States, and one of us a resident of the State of New York, for the purpose of forming a Corporation under the Business Corporations Law of the State of New York, do hereby certify and set forth:

First—The name of said Corporation shall be

“DALTON MANUFACTURING COMPANY.”

Second—The purposes for which said Corporation is formed are as follows:

1. To buy, sell, manufacture and generally deal in all manner of tools, machinery, devices, appliances and supplies used in the plumbing trade.
2. To lease, buy, sell, use and hold all such property, real or personal, as may be necessary or convenient in connection with the said business.
3. To do any or all things set forth in this certificate as objects, purposes, powers or otherwise, to the same extent and as fully as natural persons might do, and in any part of the world.

Third—The amount of Capital Stock of said Corporation shall be Seventy-Five Thousand (\$75,000) Dollars.

Fourth—The number of shares composing said capital stock shall be Seven Hundred Fifty (750) Shares of the par value of One Hundred (\$100) Dollars each, and the amount of capital with which said Corporation will begin business is Seven Hundred Fifty (\$750) Dollars.

Fifth—The principal business office of said Corporation shall be in the City, County and State of New York.

Sixth—The duration of said Corporation shall be perpetual.

Seventh—The number of directors of said Corporation shall be three.

Eighth—The names and postoffice addresses of the directors of said Corporation for the first year are as follows:

NAMES	ADDRESSES
M. M. Dalton.....	No. 656 Fifth Ave., New York City.
K. V. Handley.....	No. 229 Broadway, New York City.
L. D. Peoples.....	No. 629 Broad St., Brooklyn, N. Y.

Ninth—The names and postoffice addresses of the subscribers to this certificate, and the number of shares of stock which each agrees to take in said Corporation, are as follows:

NAMES	ADDRESSES	SHARES
M. M. Dalton.....	No. 656 Fifth Ave., New York City.....	38
K. V. Handley.....	No. 229 Broadway, New York City.....	15
L. D. Peoples.....	No. 629 Broad St., Brooklyn, N. Y.....	15
F. C. Keach.....	Salem, Mass.....	7

Tenth—Pursuant to Section 40 of the Stock Corporation Law, as amended, this Corporation shall have power to purchase, acquire, hold and dispose of the stocks, bonds, and other evidences of indebtedness of any corporation, domestic or foreign, and issue in exchange therefor its stocks, bonds or other obligations.

In Witness Whereof, we have made and signed this certificate in duplicate this fourteenth day of January, one thousand nine hundred and eight.

M. M. DALTON.
K. V. HANDLEY.
L. D. PEOPLES.
F. C. KEACH.

State of New York, }
County of New York } ss:

Personally appeared before me this 14th day of January, 1908, M. M. Dalton, K. V. Handley, L. D. Peoples and F. C. Keach, to me personally known to be the persons described in and who executed the foregoing certificate, and severally acknowledged that they executed the same for the purposes therein set forth.

{ NOTARIAL }
{ SEAL. }

T. J. ADAMS,
Notary Public for New York County.

ABBREVIATIONS

(Parentheses indicate plurals)

<p><i>a</i> or <i>@</i> or <i>at</i> at</p> <p><i>A1.</i> 1st class</p> <p><i>Abbr.</i> abbreviation</p> <p><i>Acct.</i> or <i>%</i> (<i>%</i>'s) account</p> <p><i>A. D.</i> <i>Anno Domini</i>; after Christ</p> <p><i>Admr.</i> administrator</p> <p><i>Admx</i> administratrix</p> <p><i>Adv.</i> adverb; advertisement; advocate</p> <p><i>Agt.</i> (<i>Agts.</i>) agent</p> <p><i>A. M.</i> morning; master of arts</p> <p><i>Am.</i> American</p> <p><i>Amt.</i> (<i>Amts.</i>) amount</p> <p><i>Ans.</i> answer</p> <p><i>Ass'd.</i> assorted</p> <p><i>Asst.</i> assistant</p> <p><i>Atty.</i> attorney</p> <p><i>Avoir.</i> avoidupois</p> <p><i>Bal</i> balance</p> <p><i>B. C.</i> before Christ</p> <p><i>Bdls.</i> bundles</p> <p><i>B/L</i> (<i>B's/L</i>) Bill of Lading</p> <p><i>Bbl.</i> or <i>Brl.</i> (<i>Brls.</i>) barrel</p> <p><i>Bills Rec.</i> or <i>B. Rec.</i> bills receivable</p> <p><i>Bills Pay.</i> or <i>B. Pay.</i> bills payable</p> <p><i>Bk.</i> bank; book</p> <p><i>B. O.</i> buyer's option</p> <p><i>Bot.</i> bought</p> <p><i>Bro.</i> (<i>Bros.</i>) brother</p> <p><i>Brol.</i> brought</p> <p><i>B/S.</i> bill of sale</p> <p><i>Bu.</i> (<i>bu.</i>) bushel</p> <p><i>Brs.</i> boxes</p> <p><i>C</i> 100</p> <p><i>¢</i> or <i>cts.</i> cents</p> <p><i>Cap.</i> (<i>Caps.</i>) chapter; capital</p> <p><i>Cash</i> or <i>Cash'r.</i> cashier</p> <p><i>Cat.</i> catalog</p> <p><i>CB.</i> cash book</p> <p><i>Chgd.</i> charged</p> <p><i>Ck.</i> (<i>Cks.</i>) check</p> <p><i>Clk.</i> clerk</p> <p><i>c/o</i> care of</p> <p><i>Co.</i> company</p> <p><i>C. O. D.</i> collect on delivery</p>	<p><i>Coll.</i> collection</p> <p><i>Comm.</i> commission</p> <p><i>Con.</i> <i>contra</i>; other side</p> <p><i>Const.</i> consignment</p> <p><i>C. P. A.</i> Certified Public Accountant</p> <p><i>Cr.</i> credit</p> <p><i>C. W. O.</i> cash with order</p> <p><i>Cwt.</i> hundredweight</p> <p><i>D. B.</i> day book</p> <p><i>Dep.</i> deposit</p> <p><i>Dept.</i> department</p> <p><i>Dft.</i> (<i>Dfts.</i>) draft</p> <p><i>Dis.</i> or <i>disct</i> discount</p> <p><i>Do</i> or "<i>"</i> ditto; the same</p> <p><i>Doz.</i> dozen</p> <p><i>Dr.</i> debit; doctor</p> <p><i>Dr'ge.</i> drayage</p> <p><i>Ea.</i> each</p> <p><i>EE.</i> errors excepted</p> <p><i>E. & O. E.</i> errors & omissions excepted</p> <p><i>e. g.</i> <i>exempli gratia</i>; for example</p> <p><i>Esq.</i> (<i>Esqs.</i>) Esquire</p> <p><i>Et al.</i> and others</p> <p><i>Etc.</i> <i>et cetera</i>; and so on</p> <p><i>Exch.</i> exchange</p> <p><i>Exec.</i> executor</p> <p><i>Execz.</i> executrix</p> <p><i>Exp.</i> expense</p> <p><i>F.</i> or <i>Fol.</i> folio; page</p> <p><i>Fir.</i> firkin</p> <p><i>F. O. B.</i> free on board, or freight on board</p> <p><i>Ford.</i> forward</p> <p><i>Frt.</i> freight</p> <p><i>Ft.</i> foot or feet</p> <p><i>Gal.</i> gallon or gallons</p> <p><i>Gr.</i> gross; grain</p> <p><i>G. Gr.</i> great gross</p> <p><i>Hdkf.</i> handkerchief</p> <p><i>Hf. ch.</i> or $\frac{1}{2}$ <i>ch.</i> half chest</p> <p><i>Hhd.</i> hogshead</p> <p><i>Hon.</i> Honorable</p>
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<i>I. B.</i>	invoice book	<i>pp</i>	pages
<i>i. e.</i>	<i>id est</i> ; that is	<i>Pr.</i>	pair or pairs
<i>in.</i>	inch or inches	<i>Prem.</i>	premium
<i>Ins.</i>	insurance	<i>Pres.</i>	president
<i>Inst.</i>	<i>instant</i> ; this month	<i>Prox.</i>	<i>proximo</i> ; next month
<i>Int.</i>	interest	<i>P. S.</i>	postscript
<i>In trans.</i>	in transit	<i>Pt.</i>	pint or pints
<i>Inv.</i>	invoice	<i>Pwt. or Dut</i>	pennyweight
<i>Invt. or Invt'y.</i>	inventory	<i>Qr.</i>	quire; quarter
<i>I. O. U.</i>	I owe you	<i>Qrs.</i>	quarters
<i>J. or Jour.</i>	journal	<i>Qt.</i>	quart
<i>J. F.</i>	journal folio	<i>Recd.</i>	received
<i>Jr.</i>	junior	<i>Retd.</i>	returned
<i>L. or Ledg.</i>	ledger	<i>R. R. or Ry.</i>	railroad; railway
<i>L. F.</i>	ledger folio	<i>S. B.</i>	sales book
<i>L. & G.</i>	loss and gain	<i>SS</i>	steamship
<i>lbs. #.</i>	pounds	<i>Sec.</i>	second
<i>Lib.</i>	librarian	<i>Secy. or Sec'y.</i>	secretary
<i>M.</i>	noon	<i>Shipt.</i>	shipment
<i>M. or M.</i>	1,000	<i>S. O.</i>	seller's option
<i>Mdse.</i>	merchandise	<i>Sg.</i>	square
<i>Mem. or Memo.</i>	memorandum	<i>Sr.</i>	Senior
<i>Messrs.</i>	<i>messieurs</i> ; pl. of mister	<i>St.</i>	saint; street
<i>Mfg. or M'fg.</i>	manufacturing	<i>Str.</i>	steamer
<i>Mgr.</i>	manager	<i>Sunds.</i>	sundries
<i>Mlle.</i>	<i>mademoiselle</i> ; miss	<i>Supt.</i>	superintendent
<i>Mme.</i>	madam	<i>Tp.</i>	township
<i>Mmes.</i>	pl. of madam	<i>Trans.</i>	transportation
<i>Mo.</i>	month	<i>Treas.</i>	treasurer
<i>Mr.</i>	mister	<i>Ult.</i>	<i>ultimo</i> ; last month
<i>Mrs.</i>	mistress	<i>Viz.</i>	<i>videlicet</i> ; namely
<i>MS. (MSS.)</i>	manuscript	<i>Vol.</i>	volume
<i>Nat'l or Natl.</i>	national	<i>V. Pres.</i>	vice president
<i>N. B.</i>	<i>nota bene</i> ; take note	<i>Vs.</i>	<i>versus</i> ; against
<i>No. # (Nos.)</i>	number	<i>W. B.</i>	way-bill
<i>O. K.</i>	all correct	<i>Wk.</i>	week
<i>Oz.</i>	ounces	<i>Wt.</i>	weight
<i>Payt.</i>	payment	<i>Yr.</i>	year
<i>Pcs.</i>	pieces	<i>Yd. (Yds.)</i>	yard
<i>Pd.</i>	paid	<i>First, Second, Third and Fourth</i> are abbreviated 1st, 2d, 3d, 4th. 1 ¹ , 1 ² , 1 ³ , mean, respectively, 1 $\frac{1}{4}$, 1 $\frac{1}{2}$, and 1 $\frac{3}{4}$.	
<i>Per.</i>	by; (not an abbr.)		
<i>Per cent</i>	by the hundred		
<i>Pg.</i>	page		
<i>Pk.</i>	peck or pecks		
<i>Pkg.</i>	package		
<i>P. M.</i>	postmaster; afternoon		

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